

Planning for Your Retirement



Information for Members of the New Jersey
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
and the
TEACHERS' PENSION AND ANNUITY FUND

New Jersey Division of Pensions and Benefits

PO Box 295

Trenton, NJ 08625-0295

www.state.nj.us/treasury/pensions



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Information for Members of the
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
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THIS PACKET INCLUDES:

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Fact Sheet #15, *Disability Retirement Benefits*
Fact Sheet #6, *Your Retirement Checklist*
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Can I Afford to Retire? Worksheet
Request for a Retirement Estimate Form



New Jersey Division of Pensions and Benefits

PO Box 295 • Trenton, New Jersey 08625-0295

(609) 292-7524 • TDD for the hearing impaired (609) 292-7718

www.state.nj.us/treasury/pensions • E-mail: pensions.nj@treas.state.nj.us

SC-0530-0504

Directions to the Division of Pensions and Benefits

The Division of Pensions and Benefits is located at **50 West State Street (One State Street Square)** which is one half-block east of the State House.

This is a WALK-IN SERVICE only — you CANNOT make an appointment.

The directions below will take you to the parking garage next door to the Division of Pensions and Benefits. **You must pay to park in the parking garage.** (If garage is full, use the pay lot off Barnes St.)

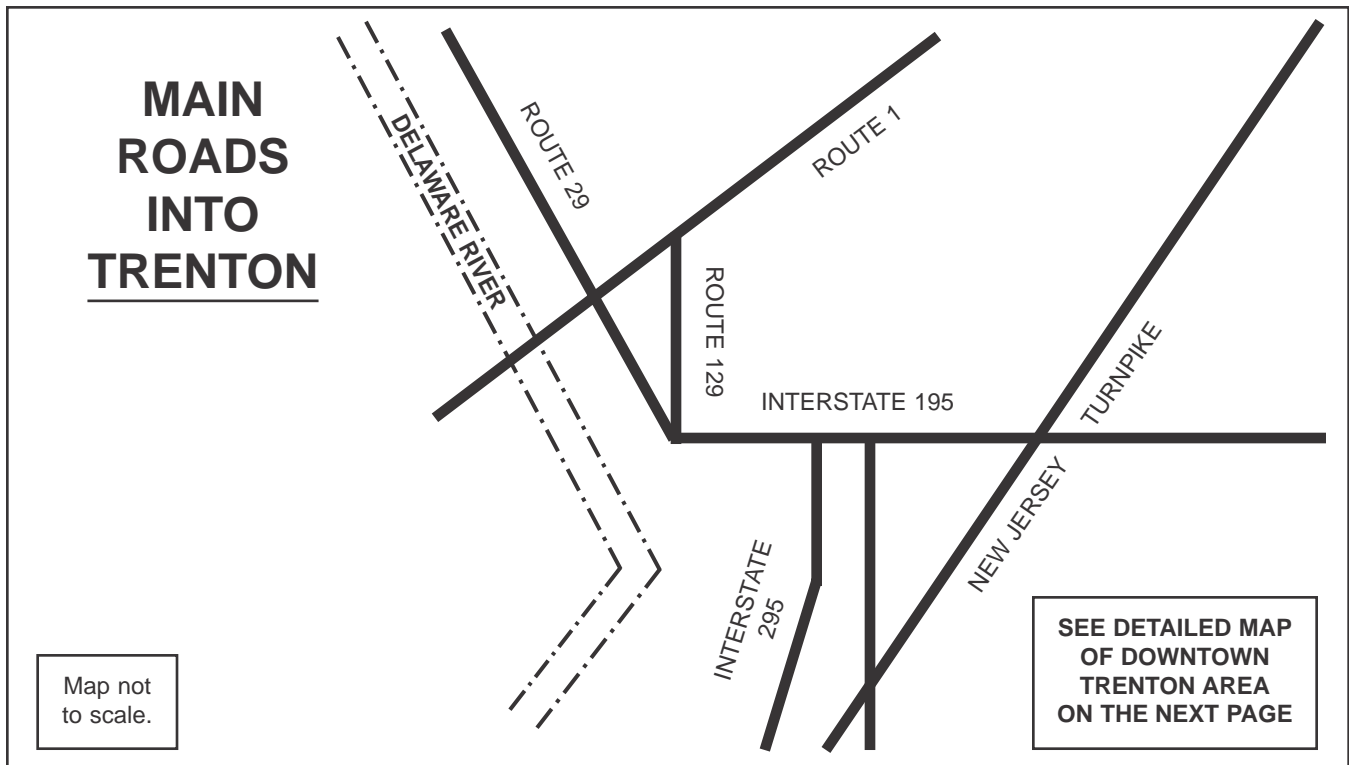
When leaving the garage, you will be facing the side of One State Street Square. Turn left and walk to the front entrance of the building (on West State Street). Check in with the guard in the main lobby where you will be directed to the Office of Client Services.

From Northeast New Jersey via the NJ Turnpike

Take the **NJ Turnpike South** to **Exit 7A**. Follow **I-195 West** until it ends, then follow the signs for **Route 29**. After passing through a tunnel and two traffic lights, take the **Calhoun Street** exit. At the first traffic light turn right onto **West State Street**. After passing through a traffic light, turn left at the next corner onto **Chancery Lane**. One-half block up a the multilevel parking garage on the left.

From Northeast New Jersey via Route 1

Take **Route 1 South** toward Trenton. Just north of Trenton, Route 1 splits into 2 roads. Stay to the left (do not use Route 1 Alternate). From Route 1 take the **Perry Street** exit. At the end of the exit ramp, turn left onto Perry Street. At the fourth traffic light after turning onto Perry Street turn left onto **Warren Street**. At the second traffic light turn right onto **West State Street**. At the next corner turn right onto **Chancery Lane**. One-half block up is a multilevel parking garage on the left.



From Northwest New Jersey

Take **Route 31 South** to **I-95 South** to **Exit 1** (I-95 and Route 29). Follow **Route 29 South** for 5 miles to the **Calhoun Street** exit. At the first traffic light, turn right onto **West State Street**. After passing through a traffic light, turn left at the next corner onto **Chancery Lane**. One-half block up is a multilevel parking garage on the left.

From Southern New Jersey

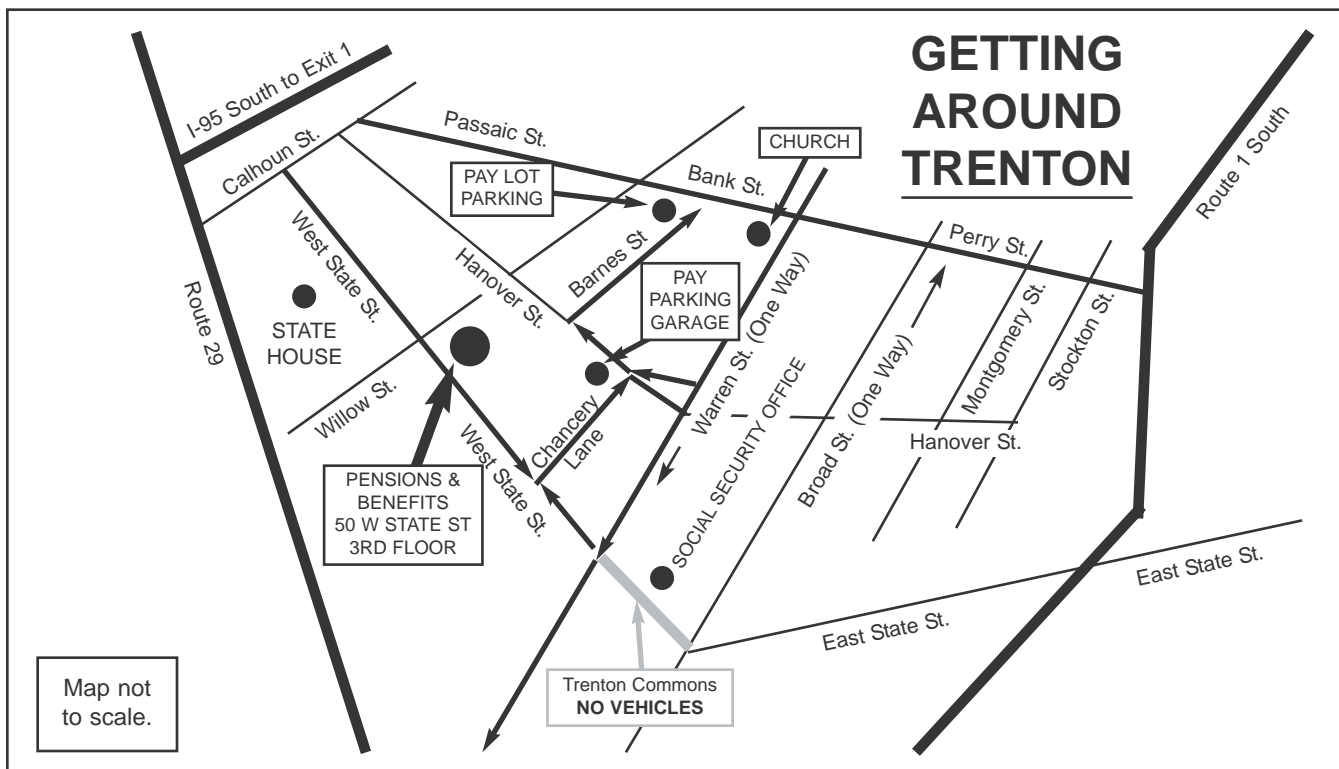
If using the **NJ Turnpike**, take **Exit 7A** and follow the directions from Northeast New Jersey via the NJ Turnpike (on previous page).

If using **I-295 North**, take **Exit 60** to **Route 29** and follow the directions for using **Route 206 North** (below) beginning with Route 29.

If using **Route 206 North**, about 4 miles before reaching center-city Trenton take the **I-295** exit but, once on the interstate highway, follow the signs for **Route 29**, not I-295. After passing through a tunnel and two traffic lights, take the **Calhoun Street** exit. At the first traffic light turn right onto **West State Street**. After passing through a traffic light, turn left at the next corner onto **Chancery Lane**. One-half block up is a multilevel parking garage on the left.

From the New Jersey Shore Areas

Take **I-195 West**, then follow the directions from Northeast New Jersey via the NJ Turnpike (on previous page).



Contacting the Division of Pensions and Benefits

Mailing Address

***Division of Pensions and Benefits
PO Box 295
Trenton, NJ 08625-0295***

Be sure to include your **membership number** or **Social Security number** and **daytime telephone number** on all correspondence. Please keep a copy of all correspondence for your records.

Counseling Services

***One State Street Square
50 West State Street
1st Floor
Trenton, New Jersey***

The Division of Pensions and Benefits offers one-on-one counseling services to members of the retirement systems and other benefit programs. No appointments are taken. Counselors are available Monday through Friday (except State holidays) from 7:40 a.m. to 4:00 p.m.

Telephone Numbers

Office of Client Services — (609) 292-7524

General information from a pension counselor. Counselors are available Monday through Friday (except State holidays) from 8:00 a.m. to 4:30 p.m.

Automated Information System — (609) 777-1777

Loan, withdrawal, and account information, along with purchase cost and retirement estimates.

TDD (for the hearing impaired) — (609) 292-7718

Hearing impaired members can access telephone counselors Monday through Friday (except State holidays) from 8:00 a.m. to 4:30 p.m.

Change of Address — (609) 292-MOVE (6683)

Retired members can call to notify the Division of a change of address, Monday through Friday (except State holidays) from 8:00 a.m. to 4:30 p.m.

Additional Telephone Numbers

Internal Revenue Service	1-800-TAX-1040 (1-800-829-1040)
Medicare Part B (Pennsylvania Blue Shield)	1-800-462-9306
New Jersey Division on Aging	1-800-792-8820
New Jersey Division of Taxation	1-800-323-4400
New Jersey State Employees Deferred Compensation Plan	(609) 292-3605
Senior Citizens Information and Referral	1-800-792-8820
Social Security Administration	1-800-SSA-1213 (1-800-772-1213)
Supplemental Annuity Collective Trust (SACT)	(609) 633-2031
Veterans Administration	1-800-827-1000
New Jersey Bureau of Securities	(973) 504-3600

Division of Pensions and Benefits Internet Address/URL — www.state.nj.us/treasury/pensions

Division of Pensions and Benefits E-mail — pensions.nj@treas.state.nj.us

Social Security Internet Address/URL — www.socialsecurity.gov

Applying for Retirement

Public Employees' Retirement System · Teachers' Pension and Annuity Fund

BEFORE YOU RETIRE

You should inquire about retirement at least six months before your retirement date. This will give you enough time to review your benefits and options. You may also request an *Estimate of Retirement Benefits*, which estimates your monthly retirement allowance, the benefits payable to your beneficiary upon your death under the various retirement options, and your life insurance benefits. A *Request for Retirement Estimate* form is available by writing to the Division of Pensions and Benefits, from our Benefit Information Library at (609) 777-1931 (enter selection #207), or from your employer. If you provide us with the birth date of your beneficiary, we will estimate not only the Maximum Option but alternate payment options. You may also call the Division of Pensions and Benefits' Automated Information System at (609) 777-1777 to hear an estimate of your retirement benefits over the phone. Please have your Social Security number available when you call. Your employer will not be notified that you requested a retirement estimate.

APPLYING FOR RETIREMENT

It is your responsibility to file an *Application for Retirement Allowance*. Your application must be received by the Division of Pensions and Benefits before your retirement date. All retirements are effective the first of a month. ***Under no circumstances can a retirement become effective prior to the date the application is received by the Division of Pensions and Benefits.*** Four months advance filing is recommended. Processing time varies and cannot begin until we have received all the necessary information and forms from both you and your employer.

If you have not furnished proof of your age to the Division, you should attach a copy of your birth certificate to your *Application for Retirement Allowance*. Proof of age for your beneficiary is required under Options A, B, C, D, 2, 3, and 4.

Please note: Members should allow additional pro-

cessing time for Option 4 retirements with multiple beneficiaries.

If you retire with an outstanding loan balance, you must decide how you wish to repay your loan balance. You may:

- pay the loan ***in its entirety*** prior to receiving any benefits; or
- continue your monthly loan repayment schedule into retirement until the loan balance ***plus interest*** has been repaid.

TYPES OF RETIREMENT

There are several types of retirement for which you may qualify:

Service Retirement

This is the type of retirement for which most members qualify. The retirement age is 60 or older and no minimum amount of membership credit is required. The benefit is calculated using the following formula:

$$\frac{\text{Years of Service}}{55} \times \text{Final Average Salary} = \text{Annual Retirement Allowance}$$

For example: A member with 22 years of service would receive 22/55 or 40 percent of Final Average Salary. You receive a slightly higher percentage for each additional month of service.

'Years of Service' means the amount of membership credit you have accumulated in your account.

'Salary' means the base salary on which your pension contributions are based. It does not include extra pay for overtime or money given in anticipation of your retirement.

'Final Average Salary' means the average salary for the 36 months (30 months for employees with 10 month contracts) immediately preceding your retirement. If your last three years are not your highest years of salary, your allowance will be calculated using your three highest fiscal years (July - June) of salary. If this is the case, you must indicate

it on your retirement application.

Early Retirement

Available to those members who have 25 years or more of membership credit before reaching age 60. The benefit is calculated using the Service Retirement formula shown above. If you retire before age 55, your allowance is permanently reduced 1/4 of 1 percent for each month under that age (3 percent per year). For example, if you retire at age 54, you will receive 97 percent of your full retirement allowance. If you retire between the ages of 55 and 60, there is no reduction.

Deferred Retirement

Available to those members who have at least ten years of membership credit (but less than 25 years) and are not yet 60 years of age when they terminate employment. If a member is removed from employment for cause on charges of misconduct or delinquency, the member would be ineligible for deferred retirement benefits. You must file an application to receive a Deferred Retirement before the retirement can become effective and payments can begin. After filing and upon reaching age 60, you will begin to receive a retirement allowance based on the Service Retirement formula shown on the reverse side. If you do not file before you attain age 60, your retirement will be effective on the first of the month after the Division receives your properly completed retirement application.

Your life insurance coverage is not in effect between the time you terminate employment and your Deferred Retirement becomes effective. If you die between the time you terminate employment and your retirement becomes effective, the beneficiary on your Deferred Retirement application will receive the return of your pension contributions with interest. If you have not filed for Deferred Retirement, the last named beneficiary on your account will receive the return of your pension contributions with interest. There is no other death benefit under these circumstances.

At any time before your Deferred Retirement

becomes effective, you may change your mind and apply for withdrawal of your contributions instead. Once you cancel your Deferred Retirement and withdraw your contributions, all the rights and privileges of membership end.

Veteran Retirement

Available to qualified military veterans. If you are not already listed as a veteran on the Division of Pensions and Benefits' records, you should submit a copy of your DD 214 or discharge papers showing both your induction and discharge dates to:

NJ Department of Military and Veterans Affairs
ATTN: DVP-VBB
PO Box 340
Trenton, NJ 08625-0340

Attach a note to the discharge papers indicating that you want to obtain veteran status for pension purposes and include your address on the note.

For additional information on veteran status, see Fact Sheet #17, *Veteran Status*, or call the Benefit Information Library at (609) 777-1931 and enter selection #204.

Qualified veterans must be in active employment until the effective date of retirement or must have met the requirements for a Veteran Retirement as of their termination date.

Veterans may retire after 25 years of membership credit at age 55 or older or after 20 years of membership credit at age 60 or older. The annual benefit is equal to 54.5 percent of the salary upon which pension contributions were based during the last year of employment or highest 12 consecutive months of base salary.

Veterans with 35 or more years of membership credit at age 55 or older are entitled to an annual allowance based on the following formula:

Years of Service X Last Year's = Annual Retirement
55 Salary Allowance

Veteran members may retire on a Service Retirement if that provides a higher benefit.

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URL: <http://www.state.nj.us/treasury/pensions> • E-mail: pensions.nj@treas.state.nj.us

This fact sheet is a summary and not intended to provide total information.
Although every attempt at accuracy is made, it cannot be guaranteed.

Disability Retirement Benefits

Public Employees' Retirement System • Teachers' Pension and Annuity Fund

ORDINARY DISABILITY

The processing of Ordinary Disability retirement benefits normally takes 2-3 months. To qualify for Ordinary Disability retirement benefits you must:

- have an active pension account (active membership ceases after discontinuance of pension contributions for more than two consecutive years¹ or withdrawal of member contributions from the retirement system); and
- have 10 or more years of New Jersey service credit in the pension system (the purchase of out-of-state, military, and U.S. government civilian service cannot be used to attain the 10 years); and
- be considered totally and permanently disabled (you must prove that you are physically or mentally incapacitated from performing your normal or assigned job duties with no possibility for significant improvement).

If the medical documentation supplied by you is not sufficient to support your claim of disability, you may be examined by physicians selected by the retirement system at no cost to you. The examination will be scheduled by the Division of Pensions and Benefits.

If you qualify for an Ordinary Disability retirement benefit, the annual benefit is equal to 43.6 percent of your Final Average Salary (FAS).

"Final Average Salary" means your average salary for the 36 months (30 months for members paid on that basis) immediately preceding your retirement on which pension contributions were taken. If your last 36 months are not your highest years of salary, your allowance may be calculated using your three highest fiscal years (July 1 to June 30) of salary. If this is

¹Special rules apply for former members who discontinued service after two years and terminated employment because of a disability. Contact the Division of Pensions and Benefits for more information.

the case, please indicate on your retirement application that you had higher fiscal years of salary.

Calculation Example: In the 36 months prior to retirement, a member's average salary was \$45,000. After approval of Ordinary Disability retirement benefits, the member would be entitled to an annual benefit of \$19,620 ($\$45,000 \times .436$) under the Maximum Option (see Fact Sheet #5, *Pension Options*, for an explanation on how to provide for survivor benefits).

The retirement benefit is not reduced by any Social Security, Workers' Compensation, or private insurance benefits that may be payable. However, any Workers' Compensation award you receive may be reduced. See your employer for details.

Ordinary Disability retirement benefits are subject to federal tax to the same extent as other pensions; your benefits are not subject to New Jersey State income tax until you reach age 65.

ACCIDENTAL DISABILITY

The processing of Accidental Disability retirement benefits normally takes 4-6 months. To qualify for Accidental Disability retirement benefits you must:

- have an active pension account (active membership ceases after discontinuance of pension contributions for more than two consecutive years¹);
- be an active member of the PERS or TPAF on the date of the traumatic event (see definition on page 2);
- be considered totally and permanently disabled (you must prove that you are physically or mentally incapacitated from performing your normal or assigned job duties with no possibility for significant improvement) as a direct result of a traumatic event that happened during and as a direct result of carrying out your regular or assigned job duties;
- file an application within five years of the date of the traumatic event; and

- be examined by physicians selected by the retirement system at no cost to you. The examination will be scheduled by the Division of Pensions and Benefits.

A "**Traumatic Event**" has been defined by the courts as one in which the worker is involuntarily exposed to a violent level of force or impact which is not brought into motion by the worker.

To be eligible for Accidental Disability retirement benefits, the worker must demonstrate that:

- the injury was not induced by normal work effort;
- the worker met involuntarily with the object that was the source of the harm; and
- the source of the injury was a violent or uncontrollable power.

The following would not be considered traumatic events:

- Slip and fall cases, no force or power originates anywhere except from the person falling and the gravitational force on the person was not considered "great";
- An instrument maker who injured his wrist when a jackhammer twisted in his hand was not injured as a direct result of a great rush of force or uncontrollable power;
- A member's heart attack, although the result of job stress and tension, was not considered a traumatic event.

If you qualify for an Accidental Disability retirement benefit, you will receive 72.7 percent of your base salary at the time of the traumatic event.

Calculation Example: On the date of the traumatic event that caused the member's disability, a member's annual salary was \$45,000. After approval of Accidental Disability retirement benefits, the member would be entitled to an annual benefit of \$32,715 (\$45,000 X .727) under the Maximum Option (see Fact Sheet #5, *Pension Options*, for an explanation on how to provide for survivor benefits).

If you are receiving periodic Workers' Compensation benefits, your Accidental Disability retirement bene-

fits will be reduced dollar for dollar by the periodic benefits paid after your retirement date. The retirement benefit is not reduced by any Social Security or private insurance benefits that may be payable.

The Division of Pensions and Benefits reports your Accidental Disability retirement benefit as exempt from federal income tax; your benefits are not subject to New Jersey State income tax until you reach age 65.

If you apply for Accidental Disability retirement and are found by the Board of Trustees to be totally and permanently disabled, but not because of a traumatic event or the event was not the primary cause of your disability, you will be retired on an Ordinary Disability if you have 10 years of New Jersey service in the retirement system. You may be offered a Service or Early Retirement (this depends on your age and service credit at the time the application was received).

APPLYING FOR DISABILITY RETIREMENT BENEFITS

An *Application for Disability Retirement* is only available from:

**Division of Pensions and Benefits
PO Box 295
Trenton, NJ 08625-0295**

The *Application for Disability Retirement* includes forms for your physicians to complete and a release for any hospital records related to your disability. Applicants for disability retirement must submit all supporting hospital and physician records. At least two forms of medical documentation are required; i.e. a statement from two treating physicians or one statement and records from a hospital stay related to the disability. All medical information is confidential and used only by the Board of Trustees in reviewing the claim.

You must pay for the cost of any medical documentation that may be required to prove your claim. For example, if you had a hospital stay due to your disability and the hospital charges for the duplication of medical records from your stay, you would be responsible for any cost involved. The more complete the application, the faster it can be processed.

A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

In order to be eligible to receive either Ordinary or Accidental Disability retirement benefits, you must terminate all retirement system covered employment prior to your retirement date.

Your employer has the right to apply for an involuntary disability retirement on your behalf.

The approval of Workers' Compensation or Social Security Disability benefits has no bearing on your application for disability retirement from the retirement system.

If you retire with an outstanding loan balance, your monthly loan repayment schedule will continue into retirement until the loan balance plus interest has been repaid.

OTHER INFORMATION

Group Life Insurance

Most members of the retirement system are covered by group life insurance. If you are covered immediately prior to your retirement, you are entitled to reduced coverage in retirement as follows:

PERS Members

If you retire on a disability retirement, you are covered by group life insurance in the amount of 1½ times your final salary until age 60. At age 60 your life insurance coverage automatically reduces to 3/16 of your final salary.

TPAF Members

- If you retire on a disability retirement with contributory and noncontributory group life insurance, you are covered by group life insurance in the amount of 1¾ times your final salary until age 60, when your life insurance coverage automatically reduces to 7/16 of your final salary.
- If you retire on a disability retirement with non-contributory group life insurance *only*, you are covered by group life insurance in the amount of 1½ times your final salary until age 60, when your life insurance coverage automatically reduces to 3/16 of your final salary.

Conversion

When your group life insurance is reduced, you have 31 days to convert the amount of insurance reduced to private individual insurance coverage. Please see Fact Sheet #13, *Conversion of Life Insurance*, for more detailed information.

Employment after Retirement

Since Ordinary and Accidental Disability benefits are considered retirement benefits, you no longer accumulate pension membership credit in the retirement system after approval by the Board of Trustees. Normally, all PERS and TPAF disability retirees are subject to an annual earnings test. If your pension, when added to the earnings from employment, exceeds what your former position currently pays, your pension will be reduced dollar for dollar by the excess earnings over the current salary of your former position. Each year the Division of Pensions and Benefits may request copies of your previous year's federal tax return and W-2s.

If you return to employment in a position covered by the same retirement system from which you retired (and if the PERS position pays more than \$1,500 per year or the TPAF position pays more than \$500 per year), you should expect to cancel your retirement and re-enroll in the retirement system. Contact the Division of Pensions and Benefits and request Fact Sheet #21, *Employment After Retirement (PERS)* or #28, *Employment After Retirement (TPAF)* on the procedures to follow when returning to public employment in New Jersey.

Health Benefits

Fact Sheet #11, *Enrolling in the State Health Benefits Program When You Retire*, provides information about continuing your State Health Benefits Program coverage in retirement.

If you are not covered by the State Health Benefits Program, contact your employer about continuing your coverage.

Cost of Living Adjustments

The Pension Adjustment Program provides cost-of-living adjustments (COLA) to you and your eligible

survivors if you are receiving a monthly retirement allowance from one of the state-administered retirement systems. The first adjustment is available in the 25th month after your retirement. Subsequent cost-of-living adjustments are computed annually and the adjustment is reflected in the February 1st check (which is payment for the month of January). If your spouse or beneficiary is entitled to receive a monthly pension upon your death, the COLA will be applied to that benefit based upon your year of retirement. See Fact Sheet #18, *Cost-of-Living Adjustments*, for further information.

Fact Sheets

To obtain any of the fact sheets mentioned above, call the Benefit Information Library at (609) 777-1931. You may request to have the fact sheets mailed or faxed. To receive a fact sheet by mail, enter the information selection number (see Mail in the following list) for the fact sheet and after the recorded message, leave the requested mailing information. To have the fact sheet sent directly to your fax machine, select the Fax on Demand option and enter fax selection number along with the area code and number of your fax machine.

The selection numbers are as follows:

Fact Sheet	Mail	Fax
Fact Sheet #5, <i>Pension Options</i>	#202	#8202
Fact Sheet #11, <i>Enrolling in the State Health Benefits Program When You Retire</i>	#208	#8208
Fact Sheet #13, <i>Conversion of Life Insurance</i>	#245	#8245
Fact Sheet #18, <i>Cost-of-Living Adjustments</i>	#100	#8100
Fact Sheet #21, <i>Employment After Retirement (PERS)</i>	#101	#8101
Fact Sheet #28, <i>Employment After Retirement (TPAF)</i>	#108	#8107

Fact Sheets Online

These publications are also available for viewing or printing over the Internet. The Division of Pensions and Benefits home page address is:

www.state.nj.us/treasury/pensions

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This fact sheet is a summary and not intended to provide total information.
Although every attempt at accuracy is made, it cannot be guaranteed.

Your Retirement Checklist

All Funds

When planning for a successful retirement, it is important to give yourself enough time to review your benefits and options. The time frames in this checklist are a guide. Processing time varies and cannot begin until the Division of Pensions and Benefits receives all the necessary information and forms from both you and your employer.

6-8 MONTHS BEFORE RETIREMENT

☐ **Complete a Request for Retirement Estimate** form available from the Division of Pensions and Benefits (call the Benefit Information Library at (609) 777-1931 and enter selection #207) or from your employer. You may also call the Division of Pensions and Benefits' Automated Information System at (609) 777-1777 to get an estimate of retirement benefits over the phone. If you provide us with the name and birth date of your beneficiary, we will estimate not only the Maximum Allowance but alternate payment options.

☐ **Consider attending a pre-retirement seminar** conducted by the Division of Pensions and Benefits. For information, check with your benefits administrator or training coordinator, or call the Divisions' Benefits Education Office for seminar dates and registration at (609) 777-2111. The mailing address is Division of Pensions and Benefits, Benefits Education Unit, PO Box 295, Trenton, NJ 08625-0295.

4-6 MONTHS BEFORE RETIREMENT

☐ **Submit an Application for Retirement Allowance** (available from the Division of Pensions and Benefits or your employer) **to the Division of Pensions and Benefits**. Accuracy and thoroughness are important when completing your *Application for Retirement Allowance*.

- Attach a photocopy of your birth certificate, if one is not on file. For Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) only - if you are choosing options A, B, C, D, 2, 3, or 4, attach proof of your beneficiary's birth date. Your retirement application will not be processed until the Division receives copies of birth date evidence.

- PERS and TPAF only – If applying for a Veteran Retirement, you must qualify as a veteran for pension purposes. If you are not already listed as a veteran on the Division of Pensions and Benefits' records, you must send a photocopy of your military discharge (Form DD 214) to the NJ Department of Military and Veteran Affairs (NJDMAVA), at the following address:

**NJ Department of Military and
Veteran Affairs
ATTN: DVP-VBB
PO Box 340
Trenton, NJ 08625-0340**

Since the NJDMAVA also makes determinations of veteran's preference for Civil Service and property tax appeals, a note should be attached to say that the discharge is being sent for pension purposes. For more information about veteran status and your pension account, see Fact Sheet #17, *Veteran Status*.

- Write "Purchase Pending" on the top of your *Application for Retirement Allowance* if you have applied for a purchase of additional service credit in the past few months.

☐ The amount of your **life insurance** coverage through the pension plan decreases at retirement or terminates if you have less than 10 years of service credit. You may **convert** the dollar difference between the group coverage you had before retirement and the

group coverage you will have after retirement to a non-group life insurance policy by applying to a **Prudential Insurance Company agent within 31 days of your termination of employment**. No physical examination is required to prove insurability. The cost of the coverage will be at the standard rate for someone your age. For further information about conversion, you can contact Prudential at 1-800-262-1112. You should contact other insurance carriers and compare the available policies and costs before you decide to purchase the conversion policy.

- ☐ Ask your employer to submit a **Certification of Service and Final Salary** to the Division of Pensions and Benefits.
- ☐ Contact the **NJ State Employees Deferred Compensation Plan** office at (609) 292-3605 or **Supplemental Annuity Collective Trust (SACT)** office at (609) 633-2031 if you participate in those plans.
- ☐ **You will receive a letter** from the Division of Pensions and Benefits acknowledging receipt of your retirement application. Also included are answers to some frequently asked retirement questions.

APPROXIMATELY 3 MONTHS BEFORE RETIREMENT

- ☐ You will receive a letter offering you enrollment in the New Jersey State Health Benefits Program (SHBP) if you are:
 - currently covered by the SHBP.
 - a member of the TPAF with 25 years or more of service credit in the pension fund or retiring on a disability retirement.
 - a PERS or Alternate Benefit Program member retiring from a school board of education or county college with 25 or more years of service credit in the pension fund or retiring on a disability retirement.
 - a Medicare eligible member of the TPAF or the PERS who works for a Board of Education.

- a police officer or firefighter retiring with 25 years or more of service credit in the pension fund or retiring on a disability retirement whose employer does not provide any payment or compensation toward the cost of health benefits for its retirees.

- ☐ If you will not be eligible for post-retirement medical coverage through the SHBP, discuss with your employer any coverage they may provide you.
- ☐ If you are 65 or older, contact the local Social Security Administration office for full Medicare enrollment. You must be covered by both Part A and Part B of Medicare to be eligible to enroll in the SHBP in retirement. You may need to obtain a written statement from your employer certifying that you have been covered under an employer group health plan. The statement should indicate when and why coverage as an active employee will end.

APPROXIMATELY 2 MONTHS BEFORE RETIREMENT

- ☐ **You will receive a Quotation of Retirement Benefits letter** which shows your monthly retirement allowance with:
 - the option you selected; (PERS and TPAF)
 - a quote of any outstanding loan balance with repayment options; and
 - a quote on any outstanding arrears (purchase) balance and/or shortages.

If you retire with an outstanding loan balance, you must decide how you wish to repay your loan balance. You may:

 - pay the loan **in its entirety** prior to receiving any benefits; or
 - continue your monthly loan repayment schedule into retirement until the loan balance **plus interest** has been repaid.

Any outstanding arrears or shortages must be paid before your retirement check can be issued. Failure to respond to these issues will delay your retirement benefits.

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**APPROXIMATELY 1 MONTH
BEFORE RETIREMENT**

- ☐ Your retirement will be presented to the retirement system's Board of Trustees for approval. You will receive a board approval letter and will have 30 days from the board approval date or your effective retirement date (whichever is later) to change your option selection if you wish. If you change your option after board approval, your new selection must again be approved by the board of trustees. This may delay your first check.
- ☐ You may choose to cancel your retirement within 30 days of your retirement date or board approval date (whichever is later). This request must be in writing to the Division of Pensions and Benefits. Canceling your retirement does not guarantee reemployment with your employer.

- ☐ Discuss the possibility of continuing prescription drug, dental, or vision coverage under the provisions of **COBRA with your employer**.

SHORTLY AFTER YOUR RETIREMENT DATE

- ☐ You will receive **forms for withholding** federal and New Jersey State income tax.
- ☐ You will receive a **form** to have your retirement check **deposited directly** to your bank account.
- ☐ Your **first retirement check** will be dated no earlier than the first of the month following your retirement date or 30 days after approval by the retirement system's board of trustees, whichever is later.

This fact sheet has been produced and distributed by:

**New Jersey Division of Pensions and Benefits • PO Box 295 • Trenton, New Jersey 08625-0295
(609) 292-7524 • TDD for the hearing impaired (609) 292-7718**

URL: <http://www.state.nj.us/treasury/pensions> • E-mail: pensions_nj@tre.state.nj.us

This fact sheet is a summary and not intended to provide total information.
Although every attempt at accuracy is made, it cannot be guaranteed.

Pension Options

Public Employees' Retirement System • Teachers' Pension and Annuity Fund

ESTIMATING YOUR RETIREMENT ALLOWANCE

If you are within two years of retirement, you may obtain a written *Estimate of Retirement Benefits* by completing a *Request for Retirement Estimate* form, available from your employer or the Division of Pensions and Benefits. You may also call the Division of Pensions and Benefits' Automated Information System at (609) 777-1777 to hear an Estimate of Your Retirement Benefits over the phone. Please have your Social Security number available when you call. If you provide us with the birth date of your beneficiary, we will estimate not only the Maximum Option but also the alternate payment options described in this fact sheet. (Telephone estimates are not available for members of the PERS Prosecutors Part, Workers' Compensation Judges, or PERS Law Enforcement Officers-LEOs.)

If you are more than two years from retirement, you may calculate your own retirement allowance using the online retirement estimate calculator on the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions, or using the worksheet and instructions in Fact Sheet #54, *Calculating Your Own Retirement Allowance* (see the instructions at the end of this fact sheet for instructions on how to request Fact Sheet #54).

RETIREMENT PAYMENT OPTIONS

To plan for a successful retirement, you must be familiar with the retirement payment options available to you from the retirement system. You should also consider your financial needs in retirement, your health, your beneficiary's health, the need to provide survivor benefits, life insurance benefits available, income from other sources, such as Social Security benefits, investments, etc.

When you apply for retirement, you will have to choose one of nine ways to receive your retirement benefits. Please be sure you understand the different payment options available to you because, **once you have made your choice and your retirement becomes due and payable (usually when your**

first check is issued), you cannot change your payment option.

Maximum Option - No Pension Benefit to a Beneficiary

The Maximum Option, also called a single-life annuity, is the highest amount payable and provides a retirement benefit to you for the remainder of your life. If you are not concerned with providing either a lump-sum benefit or providing a monthly income to another person after your death, the Maximum Option may be the most appropriate payment choice for you. The benefit payments continue for your lifetime only. Upon your death, benefits end and your survivors do not receive a pension allowance.

If you die before receiving, through your retirement allowance, the amount that you paid into the retirement system while working (including interest on those contributions), the balance of your contributions will be paid to your beneficiary.

OPTIONS OTHER THAN THE MAXIMUM

Under Options A, B, C, or D you receive a smaller monthly benefit than that provided under the Maximum Option so that, upon your death, your beneficiary will receive a lifetime monthly pension. The percentage of reduction is based on the life expectancies of both you and your beneficiary at the time of your retirement and the option selected. Therefore, the younger your beneficiary, the greater the percentage of reduction in your benefit. Your beneficiary under these options must be an individual. You may not designate a charity, institution, your estate, etc. as a beneficiary.

Option A - 100% to Beneficiary - Increase to Maximum Option

Option A, also called a 100% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 100% of your monthly retirement allowance for life. If your beneficiary dies before you, your retirement allowance will increase to

the Maximum Option. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement.

**Option B - 75% to Beneficiary -
Increase to Maximum Option**

Option B, also called a 75% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 75% of your monthly retirement allowance for life. If your beneficiary dies before you, your retirement allowance will increase to the Maximum Option. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement.

**Option C - 50% to Beneficiary -
Increase to Maximum Option**

Option C, also called a 50% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive half of your monthly retirement allowance for life. If your beneficiary dies before you, your retirement allowance will increase to the Maximum Option. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement.

**Option D - 25% to Beneficiary -
Increase to Maximum Option**

Option D, also called a 25% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 25% of your monthly retirement allowance for life. If your beneficiary dies before you, your retirement allowance will increase to the Maximum Option. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement.

**Option 1 -
Reducing Retirement Reserve to a Beneficiary**

Option 1 provides a lifetime monthly payment to you. Your retirement allowance is reduced from what you could collect under the Maximum Option. It is also different from the Maximum Option in that it *may* provide a lump-sum payment to your beneficiary after your death. At the time of your retirement, the amount expected to be paid to you in retirement benefits over

your lifetime is calculated. This is called your retirement reserve. If you die before you receive monthly retirement benefits equal to your retirement reserve, your beneficiary is entitled to the balance. The balance will be paid in a lump sum or the beneficiary may request payment in equal monthly payments over 5, 10, 15, or 20 years or as a life annuity.

You may name more than one beneficiary for this option and you can change your beneficiary at any time. Your beneficiary may be a person, a charity, an institution, or your estate.

For example, if your monthly retirement allowance is \$2,000 and your retirement reserve is \$230,400, your beneficiary would be entitled to the following payment depending on when you died (16 or 120 months after retirement as shown below).

Retirement Reserve	\$ 230,400
Retirement Benefits Paid (death at 16 months)	\$ 32,000
Beneficiary Benefit	\$ 198,400

Retirement Reserve	\$ 230,400
Retirement Benefits Paid (death at 120 months)	\$ 240,000
Beneficiary Benefit	\$ 0

Since the retirement reserve is based on your retirement allowance and your life expectancy, your own reserve may be much different than this example.

Under Options 2, 3, or 4 you receive a smaller monthly benefit than that provided under the Maximum Option so that, upon your death, your beneficiary will receive a lifetime monthly pension. The percentage of reduction is based on the life expectancies of both you and your beneficiary at the time of your retirement and the option selected. Therefore, the younger your beneficiary, the greater the percentage of reduction in your benefit. Your beneficiary under these options must be an individual. You may not designate a charity, institution, your estate, etc. as a beneficiary.

**Option 2 - 100% to Beneficiary -
Permanent Reduction**

Option 2, also called a 100% joint and survivor benefit, provides a lifetime monthly payment to you. If

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your beneficiary is living at the time of your death, your beneficiary will receive 100% of your monthly retirement allowance for life. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement. This is similar to Option A except that if your beneficiary dies before you, you will continue to receive the reduced retirement allowance you had been receiving under this option.

Option 3 - 50% to Beneficiary - Permanent Reduction

Option 3, also called a 50% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive one-half of your monthly retirement allowance for life. You can name only one beneficiary to receive this benefit and the beneficiary can never be changed after retirement. This is similar to Option C except that if your beneficiary dies before you, you will continue to receive the reduced retirement allowance you had been receiving under this option.

Option 4 - Choice of Amount to Beneficiary - Permanent Reduction

If the preceding payment options do not meet your financial needs, you may want to consider this option. Option 4 provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive whatever monthly allowance you decide for life. (This can be

no more than your own allowance.) You can name one beneficiary or multiple beneficiaries to receive this benefit and the beneficiary(ies) can never be changed after retirement. If your beneficiary dies before you, you will continue to receive the reduced retirement allowance you had been receiving under this option.

Age Limits on Non-spouse Beneficiaries

For all options, you can name your spouse* as your beneficiary regardless of your spouse's age. For Options 1, 3, C, or D, you can name someone other than your spouse as beneficiary regardless of age.

For Options 2 and A (100% to beneficiary), if you are naming a beneficiary who is not your spouse, Internal Revenue Service regulations restrict the age of your beneficiary to no more than 10 years younger than you.

For Option B (75% to beneficiary) you can name a non-spouse who is no more than 19 years younger than you.

If you name a non-spouse beneficiary under Option 4, if the dollar amount of your beneficiary's pension is more than half of your allowance, restrictions on your beneficiary's age apply.

**Since the Internal Revenue Service is a federal agency, a domestic partner as defined under Chapter 246, P.L. 2003 does not qualify as a spouse under these circumstances and would be subject to the age limitations described.*

Pension Benefit to Beneficiary Upon Death of Retiree

	None	Lump Sum	100% of Retirement Allowance	75% of Retirement Allowance	50% of Retirement Allowance	25% of Retirement Allowance
Maximum	X					
Option A			X			
Option B				X		
Option C					X	
Option D						X
Option 1		X				
Option 2			X			
Option 3					X	
Option 4 [†]				X	X	X

[†]Under Option 4 you can name any dollar amount less than your allowance to be paid to a beneficiary.

Proof of Age Documentation

If you choose Option 2, 3, 4, A, B, C, or D, proof of age documentation is required for both you and your designated beneficiary. You should submit photocopies of the proof of age documentation at the time you submit your *Application for Retirement Allowance*.

WHAT HAPPENS TO RETIREE ALLOWANCE IF BENEFICIARY DIES BEFORE RETIREE?

Under Options 2, 3, and 4, if your beneficiary dies before you, your retirement allowance remains at the reduced option level. Under Options A, B, C, and D, if your beneficiary dies before you, your retirement increases to the Maximum Option. Options A through D provide a smaller retirement allowance to you and your beneficiary, when compared to similar Options 2, 3, and 4, to pay for the larger retirement allowance you would collect if your beneficiary dies before you.

Retiree Allowance Upon Death of Beneficiary

	Stays at Reduced Option Allowance	Increases to Maximum Allowance
Maximum	N/A	N/A
Option A		X
Option B		X
Option C		X
Option D		X
Option 1	X	
Option 2	X	
Option 3	X	
Option 4	X	

LIFE INSURANCE AFTER RETIREMENT

Most members of the Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) are covered by group life insurance while employed. At retirement, those members will receive a reduced life insurance benefit to be paid to their beneficiary upon their death, provided that they have credit for at least 10 years of service in the pension plan.

You may want to leave a pension option benefit to your beneficiary in addition to the life insurance.

ADDITIONAL INFORMATION

If, after reading this fact sheet, you have questions about your pension options, contact the Division of Pensions and Benefits Office of Client Services at (609) 292-7524, or send e-mail to:

pensions.nj@treas.state.nj.us

To obtain a copy of Fact Sheet #54, *Calculating Your Own Retirement Allowance* call our Benefit Information Library at (609) 777-1931. You may request to have the fact sheet mailed or faxed. To receive a fact sheet by mail, enter the information selection number 207 and after the recorded message, leave the requested mailing information. To have the fact sheet sent directly to your fax machine, select the Fax on Demand option and enter fax selection number 8207 along with the area code and number of your fax machine. The fact sheet is also available over the Internet at the Division of Pensions and Benefits home page:

www.state.nj.us/treasury/pensions

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GROUP LIFE INSURANCE

AN OVERVIEW

FOR PERS AND TPAF MEMBERS

CONTRIBUTORY AND NONCONTRIBUTORY GROUP LIFE INSURANCE

As an active employee in the PERS or TPAF you may be covered by two types of group life insurance:

NONCONTRIBUTORY GROUP LIFE INSURANCE is provided by your employer through the pension fund. There is no cost to you for this coverage.

CONTRIBUTORY GROUP LIFE INSURANCE is the insurance for which you pay. The cost of the insurance for PERS members is 0.5 of 1 percent (.005) of your base salary; and for TPAF members is 0.4 of 1 percent (.004) of your base salary. The law requires that you must be covered¹ by contributory insurance for the first 12 months of your membership. After the 12 months have elapsed, you may cancel this coverage if you wish by filing a *Notice of Withdrawal from Contributory Group Life Insurance* available through your employer. Once you have canceled this coverage, you cannot be reinstated nor are your contributions refunded.

Both noncontributory and contributory group life insurance are covered by policies issued by the insurance carrier (Prudential Insurance Company of America, Inc.). You will receive an individual certificate from the Division of Pensions and Benefits which you should keep with your important papers.

When an active member dies, not as a result of regular or assigned duties, the named beneficiaries are entitled to the payment of group life insurance benefits and the return of the member's accumulated pension contributions with interest, if any.

The amount of death benefits paid to your beneficiaries at your death depends on three factors:

- your membership status at the time of death;
- your salary²; and
- your age.

GROUP LIFE INSURANCE COVERAGE FOR PERS MEMBERS

PERS INSURANCE COVERAGE WHILE ACTIVELY EMPLOYED		
Age at death	Members with noncontributory insurance only	Members with both non- & contributory insurance
Any age	1½ x salary	3 x salary

PERS INSURANCE COVERAGE WHILE RETIRED		
Type of Retirement	Death before age 60	Death after age 60
Service & Veteran	Does not apply	3/16 x salary
Early	3/16 x salary	3/16 x salary
Deferred	None	3/16 x salary
Disability	1½ x salary	3/16 x salary
NOTE: The percentages shown apply to the total base salary upon which pension contributions were based during the year preceding retirement or highest contractual year.		

GROUP LIFE INSURANCE COVERAGE FOR TPAF MEMBERS

TPAF INSURANCE COVERAGE WHILE ACTIVELY EMPLOYED		
Age at death	Members with noncontributory insurance only	Members with both non- & contributory insurance
Any age	1½ x salary	3½ x salary

¹ Employees who are age 60 or older at the time of enrollment, or those who have converted their insurance to a private policy and returned to work, are ineligible for both noncontributory or contributory group life insurance coverage until they take and pass a medical examination.

² The definition of salary in the following charts is the total base salary upon which your pension contributions were based during the year preceding your retirement or death during active service. If death occurs within the first year of enrollment, the amount of noncontributory insurance is based on base salary earned until the date of death. The amount of contributory insurance, however, is based on the full annual base salary.

TPAF INSURANCE COVERAGE WHILE RETIRED				
Type of Retirement	Members with noncontributory insurance only		Members with both non- & contributory insurance	
	Death before age 60	Death after age 60	Death before age 60	Death after age 60
Service	Does not apply	3/16 x salary	Does not apply	7/16 x salary
Early & Veteran	3/16 x salary	3/16 x salary	7/16 x salary	7/16 x salary
Deferred	None	3/16 x salary	None	7/16 x salary
Disability	1½ x salary	3/16 x salary	1¾ x salary	7/16 x salary
NOTE: The percentages above apply to the total base salary upon which pension contributions were based during the year preceding retirement or highest contractual year.				

If a retiree was enrolled as a member of the PERS or TPAF on or after July 1, 1971, life insurance is payable only if the member retired with 10 or more years of pension membership credit or retired on a disability retirement.

PAYMENT OF GROUP LIFE INSURANCE

Group life insurance for active PERS and TPAF members can be paid in one of several ways (Group life insurance for retirees must be paid in a lump sum). The options are:

- **LUMP SUM.**
- **ANNUITY CERTAIN** is equal installments over a period of years. If your beneficiary dies before all the payments have been made, the remaining monies will be paid in a lump sum to your beneficiary's designated beneficiary.
- **LIFE ANNUITY** is paid monthly to your beneficiary for life. Payment continues even if your beneficiary outlives the actual amount of the benefits. For this reason, the value of the annuity is based on the amount payable and the life expectancy (age) of the beneficiary. Payments cease at the beneficiary's death.
- **OTHER POSSIBILITIES** include options provided by the insurance company (Prudential) to its ordinary life policyholders.

These death benefits cannot be paid until all the necessary information and forms have been received by the Division of Pensions and Benefits.

To report a death, contact Client Services at (609) 292-7524.

GROUP LIFE INSURANCE AND LEAVE OF ABSENCE

Your group life insurance coverage will continue in full force for an official leave of absence without pay under the following conditions:

- up to two years while on an official leave of absence for personal illness. In this case, contributions **are not** necessary to continue coverage under the contributory plan.
- up to one year while on an official leave to fulfill a residency requirement for an advanced degree or as a full-time student at an institution of higher education. In this case, contributions **are** necessary to continue coverage under the contributory plan³.
- up to 93 days while on official leave for personal reasons (also family leave). In this case, contributions **are** necessary to continue coverage under the contributory plan³.

CHOOSING A BENEFICIARY

Your enrollment application contains a section in which you name beneficiaries for both your group life insurance benefits and return of your pension contributions. You may name any person, organization, your estate or trust as beneficiary. This designation may be changed by you at any time during your membership by filing the *Designation of Beneficiary* form. At retirement, you are asked to nominate beneficiaries on your *Application for Retirement Allowance*.

Designation of Beneficiary forms can be obtained from your employer, over the Internet at: www.state.nj.us/treasury/pensions, or through our Fax on Demand service at (609) 777-1931.

All *Designation of Beneficiary* forms must be signed and sent in to the Division of Pensions and Benefits.

³You may continue contributory life insurance coverage during these periods by forwarding the Division of Pensions and Benefits a check made payable to "PERS CGIPF" or "TPAF CGIPF" as appropriate. The amount due to cover the premium for PERS members is 0.0055 of your monthly base salary in effect at the time you went on leave and for TPAF members 0.0040 of your monthly base salary in effect at the time you went on leave. This premium payment must be sent in advance on a monthly basis while on leave for as long as you wish to keep your contributory life insurance in effect.

Beneficiary designations cannot be accepted nor confirmed over the telephone or by e-mail. This is for your protection.

TAXATION OF GROUP LIFE INSURANCE BENEFITS

The Internal Revenue Service classifies all employer-provided life insurance coverage over \$50,000 as a fringe benefit subject to taxation. The amount of life insurance coverage is not taxable but rather the premium required to pay for the life insurance coverage is taxable. Chapter 62, PL 1994 permits members of the State retirement systems to waive their Noncontributory Group Life Insurance over \$50,000 to avoid a possible federal and State tax liability on that benefit. Any member who waives the Non-contributory Group Life Insurance, must waive the total amount of noncontributory coverage in excess of \$50,000. Waivers of partial amounts are not permitted. Even if a member waives the Noncontributory Group Life Insurance over \$50,000, there still may be a federal tax liability for those TPAF members who have Contributory Group Life Insurance coverage.

To determine the taxable amount, if any, add the amount of your noncontributory life insurance coverage to your contributory life insurance coverage then subtract \$50,000 from that total. The premium rates are then applied to the remaining life insurance amount. The premium costs for the life insurance are determined by the IRS based on your age (see chart) and your salary. The premiums you pay for your contributory life insurance coverage (PERS .005 x salary or TPAF .004 x salary) are subtracted from the premium costs determined by the IRS. The remaining premium cost (if any) is the taxable amount and is added to your W-2 for that year.

IRS Premium Rates* as of 7/1/99 (Annual cost per \$1,000 of coverage)	
Age	Premium
Under age 25	\$ 0.60
25-29	0.72
30-34	0.96
35-39	1.08
40-44	1.20
45-49	1.80
50-54	2.76
55-59	5.16
60-64	7.92
65-69	15.24
70 and above	24.72
*These rates are subject to change by the IRS.	

EXAMPLE: A TPAF member is age 52 and has both contributory and noncontributory life insurance coverage.

The member's annual base salary is \$60,000. The member's life insurance coverage totals \$210,000 ($3\frac{1}{2} \times \$60,000$).

The fringe benefit amount is determined by subtracting \$50,000 from the total benefit amount, \$210,000. That equals \$160,000.

According to the IRS, the premium cost for an individual 52 years of age is \$2.76 per \$1,000 of coverage. The premium cost in this example is \$441.60 ($160 \times \2.76).

Under the TPAF, members pay premiums equal to 0.4% of base salary for contributory life insurance coverage. In this example this member pays \$240.00 ($.004 \times \$60,000$) per year for life insurance coverage. The net taxable value of the premiums is \$201.60 ($\$441.60 - \240.00) and would be added to this member's W-2. This does not mean that the member would pay an additional \$201.60 in taxes but that \$201.60 would be added to the member's taxable wages for the year.

Waiving Noncontributory Group Life Insurance over \$50,000

In the example above, the member's noncontributory life insurance coverage equals \$90,000 ($1\frac{1}{2} \times \$60,000$). In this example the member could waive \$40,000 of non-contributory life insurance coverage because members are only permitted to waive noncontributory life insurance coverage over \$50,000. The net taxable value would be reduced to \$91.20 ($\$201.60 - \110.40).

You may waive your Noncontributory Group Life Insurance coverage in excess of \$50,000 by completing a waiver form and submitting it to the Division of Pensions and Benefits. The form is available from the Division of Pensions and Benefits or your employer. The waiver form must be received by the Division of Pensions and Benefits before December 31 to be effective January 1 of the next calendar year.

Once a waiver form has become effective it shall be irrevocable for the entire calendar year. The waiver will remain in effect until you submit a reinstatement form to the Division of Pensions and Benefits. The reinstatement will become effective the following January 1.

If a waiver is in effect at the time of termination of employment or retirement, you will not be permitted to convert any amount of your Noncontributory Group Life Insurance coverage over \$50,000 (see Fact Sheet #13, *Conversion of Group Life Insurance*, for details).

Before completing the waiver, you should completely understand the ramifications of waiving your noncontributory life insurance. For more information, refer to Internal Revenue Service Publication 525.

Conversion of Group Life Insurance

All Funds

If you are covered by group life insurance while employed, the coverage ends 31 days after you cease employment (whether for reasons of retirement, termination of employment, or leave of absence without pay).

You have the option to convert your group life insurance coverage to an individual policy with the Prudential Insurance Company when you retire, terminate employment, or lose coverage while on a leave of absence without pay. **This conversion to a Prudential policy is guaranteed (you cannot be denied coverage for health or other reasons), but it may be more expensive or less suitable to your needs than other policies for which you may qualify from Prudential or other insurance carriers.** You should contact other insurance carriers and compare the available policies and costs before you decide to purchase the conversion policy. (Other carriers may accept or reject your application based on their evaluation of the status of your health and other factors.) **If you wish to purchase a conversion policy, you have a one time option to do so prior to the 31st day after you cease employment. After that date, you will not be eligible to purchase a conversion policy.**

You may convert your life insurance to any individual, non-group policy customarily offered by Prudential. However, you cannot convert to term insurance or a policy containing disability benefits. Under a guaranteed conversion, the premiums you pay are Prudential's "standard" rates for the type of policy to which you would be converting. The individual policy will be effective at the end of the 31 day conversion grace period. If you do not convert to an individual policy by the end of the 31 day period, your coverage will end.

To initiate the purchase of a conversion policy, you must contact the Prudential Insurance Company (not the Division of Pensions and Benefits) through any of its local offices or if you live in New Jersey, by calling 1-800-262-1112. You will need to provide your group insurance policy number, as follows:

- G-14800 - This is the policy number for the basic (noncontributory) group life insurance for the following pension systems: ABP¹, PERS²,

TPAF³, JRS⁴, PFRS⁵, SPRS⁶

- G-13900 - This is the policy number for the contributory group life insurance for PERS
- G-14300 - This is the policy number for the contributory group life insurance for TPAF

The conversion policy can be for any amount of insurance up to the amount that you had while employed. (In the case of a retirement the maximum amount that you can purchase will be reduced by the amount of any life insurance that you will automatically receive in retirement under your retirement plan. See example under Retirement.) *To protect your conversion privilege it is suggested that you send your application for conversion to Prudential with at least one month's premium, at the time you file your retirement application with the Division of Pensions and Benefits.*

The following sections provide more detailed information about conversion policies for the specific situations of retirement, i.e., deferred retirement, disability retirement, and termination of employment or leave of absence.

RETIREMENT

If you retire with 10 or more years of service credit in the retirement system, the amount of your group life insurance will be substantially reduced when you retire. The amount of your coverage will be listed in the Quotation of Retirement Benefits that you will receive prior to your retirement. It will be identified as the "Lump Sum Death Benefit." You will automatically be covered by this insurance and do not need to do anything to qualify.

If you retire with less than 10 years of service credit in the retirement system, you will not receive any group life insurance coverage (for the exception, see

¹ABP — Alternate Benefit Program

²PERS — Public Employees' Retirement System

³TPAF — Teachers' Pension and Annuity Fund

⁴JRS — Judicial Retirement System

⁵PFRS — Police and Firemen's Retirement System

⁶SPRS — State Police Retirement System

"Disability Retirement" below).

The reduction (or elimination) of your life insurance coverage will be effective 31 days after your date of termination. If you wish to supplement this coverage with either a conversion policy from Prudential or another type of policy from Prudential or another insurance carrier, it would be best to begin exploring your options at least four months prior to your retirement.

EXAMPLE: If you had group life insurance of \$96,000 through the retirement system while employed, and that life insurance coverage drops to \$6,000 at retirement, you can purchase up to \$90,000 in life insurance coverage under an individual non-group policy by contacting a Prudential agent before 31 days following your termination of employment.

Deferred Retirement (Does not apply to ABP)

Your life insurance coverage will end 31 days after termination of employment. Any life insurance coverage to which you are entitled upon retirement will not take effect until you reach the normal retirement age for your pension system and begin to receive retirement benefits (age 60 for PERS, TPAF, and JRS; age 55 for PFRS and SPRS).

You have the one-time option to purchase a conversion policy prior to the 31st day after termination of employment (**not at the time that you reach normal retirement age**). The maximum amount of coverage that you may purchase will be the difference between the amount of coverage you had while employed and the amount of coverage that you will automatically receive when you begin to receive retirement benefits.

Disability Retirement (Does not apply to ABP)

If you are approved for a disability retirement you will automatically be covered by life insurance until you reach the normal retirement age (age 60 for PERS, TPAF, and JRS; age 55 for PFRS and SPRS). The amount of this coverage will be equal to the amount of the non-contributory insurance coverage that you had while employed.

You will have the option to purchase a conversion

policy up until the day you reach normal retirement age for your pension system. The maximum amount of coverage that you may purchase will be the difference between the amount of non-contributory coverage you had while employed and the amount of coverage that you will automatically receive when you reach the normal retirement age.

If you also had contributory life insurance while employed, you may convert the amount of your contributory insurance until 31 days after termination of employment. Whether or not you exercise this option, you will still have the option to convert the non-contributory portion of your life insurance up until the day that you reach normal retirement age.

TERMINATION OF EMPLOYMENT OR LEAVE OF ABSENCE

If you terminate employment without applying for retirement or your insured period during a leave of absence expires, you will continue to be covered for the next 31 days. Up until the end of that 31 day period, you may convert your group life insurance, without medical examination, to any individual policy customarily offered by Prudential except term insurance or a policy containing disability benefits.

EXAMPLE: If you had group life insurance of \$96,000 through the retirement system while employed, that life insurance coverage is eliminated at termination of employment. You can purchase up to \$96,000 in life insurance coverage under an individual non-group policy by contacting a Prudential agent before 31 days following your termination of employment.

RETURN TO PUBLIC EMPLOYMENT

If you return to public employment after the purchase of a conversion policy, you must discontinue your individual conversion policy. If you do not, you will be required to submit satisfactory proof of insurability before you can be covered again in full under a group life insurance policy.

The Division of Pensions and Benefits cannot provide premium rates for converted life insurance policies. Please contact a Prudential agent for this information.

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(609) 292-7524 • TDD for the hearing impaired (609) 292-7718

URL: <http://www.state.nj.us/treasury/pensions> • E-mail: pensions_nj@tre.state.nj.us

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Cost-of-Living Adjustments

Public Employees' Retirement System • Teachers' Pension and Annuity Fund
Police and Firemen's Retirement System • State Police Retirement System
Consolidated Police and Firemen's Pension Fund • Prison Officers' Pension Fund

The Pension Adjustment Program provides a cost-of-living adjustment (or COLA) to you and your eligible survivors if you are receiving a monthly retirement allowance from one of the state-administered retirement systems listed above. Your first COLA is paid in your pension allowance the 25th month after your date of retirement. Subsequent cost-of-living adjustments are computed annually and the adjustment is reflected in the February 1st check (which is payment for the month of January). If your spouse or beneficiary is entitled to receive a monthly pension upon your death, the COLA will be applied to that benefit based upon your year of retirement.

The Division of Pensions and Benefits uses the Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers (CPI-W), U.S. City Average, All Items, 1982-84=100. Your rate of increase is equal to 60 percent of the percentage of change between the average CPI for the calendar year in which you retired and the average CPI for the 12 month period ending August 31st immediately preceding the year when the adjustment is payable.

Example: To calculate the COLA due February 1, 2004

A member retired in 1990 with a monthly retirement allowance of \$1,278.35*. The average CPI for the twelve months ending December 31, 1990 was 129.0. The average CPI for the twelve months ending August 31, 2003 was 178.7.

**If the member chose Option 1, the COLA would be calculated on the Maximum Retirement Allowance.*

- To calculate the change in the CPI, subtract 129.0 from 178.7.

$$178.7 - 129.0 = 49.7$$

- To calculate the percentage change in the CPI between the retirement year 1990 and the 12 months ending August 31, 2003, divide 49.7 by 129.0. The result is 38.527%.

$$49.7 \div 129.0 = 38.527\%$$

- The cost-of-living adjustment rate for February 1, 2004 equals 60% of 38.527%, or 23.116%.

$$60\% \times 38.527\% = 23.116\%$$

- Therefore, the cost-of-living adjustment for this member is 23.116% of \$1,278.35, or \$295.50

$$23.116\% \times \$1,278.35 = \$295.50$$

- The total monthly benefit equals \$1,573.85.

$$\$1,278.35 + \$295.50 = \$1,573.85$$

Your current cost-of-living adjustment amount can be found under the "Current Earnings" section on your February retirement benefit check stub.

You can also verify your current allowance and deduction information at any time by calling our Automated Information System, (609) 777-1777. When calling, you will be asked to enter your Social Security number. Then by pressing 3 after the first prompt — indicating that you are requesting retirement information — and 3 again at the second prompt, you can hear the check information in the order as it would appear on your check stub.

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Taxation of Retirement Benefits

All Funds

HOW ARE MY PENSION BENEFITS TAXED FOR FEDERAL PURPOSES?

Pension benefits (except for Accidental Disability and Accidental Death benefits) are subject to federal income tax; however, if you paid tax on any of your contributions to the pension plan, that portion of your monthly benefits representing a return of your previously-taxed contributions is not taxable.

Contributions made to the pension plan prior to January 1, 1987 were already taxed as were any purchases of optional pension membership credit made before 2002. After January 1, 2002 some purchases may have been made with previously-taxed money. Therefore, if you began contributing to the pension plan prior to January 1, 1987, or if you purchased pension membership since then, all or a portion of your total contributions may have been previously subject to federal tax.

The rate at which you can recover your previously-taxed contributions is determined in part by your retirement date.

If you retired before August 1, 1986 — you were able to fully recover your contributions before having to pay tax on your benefits. Once you recovered your contributions, your benefits became fully taxable. *The exception is if you did not fully recover your contributions within the first three years of retirement. In that case, you had to recover your contributions under the IRS expected return rule explained below.*

If you retired on or after August 1, 1986 — you must recover your contributions under the expected return rule. Under this rule, you recover your contributions evenly over your expected lifetime or the combined lifetime of you and your pension beneficiary. This means that only a small portion of each monthly benefit is considered a return of your previously-taxed contributions and is tax-free.

CALCULATING THE NON-TAXABLE AMOUNT

If you retired after July 1, 1986 and before November 1, 1996 — your monthly nontaxable amount is determined using life expectancy tables found in IRS Publication 939.

If you retired on or after November 1, 1996 — the following tables are used to determine your monthly nontaxable amount:

TABLE A

Benefits Payable To Retiree Only*

Age of Retiree (at retirement)	Number of Payments
55 or less	360
56-60	310
61-65	260
66-70	210
71 or more	160

**For those retired on or after November 1, 1996 and before December 1, 1997, Table A is used even if benefits are payable to the retiree and the retiree's survivor.*

TABLE B

Benefits Payable To Retiree and Beneficiary

Combined Age of Retiree (at retirement) & Beneficiary	Number of Payments
110 or less	410
111-120	360
121-130	310
131-140	260
141 or more	210

The following examples illustrate how the monthly nontaxable amount is computed using Tables A and B:

Example 1 — A PERS member whose previously-taxed contributions equaled \$12,000 retires at age 62 and chooses to receive the maximum allowance (designating no monthly pension to a surviving beneficiary). **Table A** is used because benefits are payable to the retiree **only**. The \$12,000 is divided by 260 which produces a monthly tax-free amount of \$46.15. The balance of the monthly pension is subject to federal income tax.

Example 2 — A TPAF member whose previously-taxed contributions equaled \$15,000 retires at age 60 and chooses to receive benefits under Option 2 (designating the same monthly pension to the surviving beneficiary). **Table B** is used because benefits are payable to the retiree **and** the retiree's beneficiary. The designated beneficiary is the same age as the retiree. The \$15,000 is divided by 360 which produces a monthly tax-free amount of \$41.67. The balance of the monthly pension is subject to federal income tax.

HOW LONG WILL THE NON-TAXABLE PORTION CONTINUE?

For those who retired after December 31, 1986 the monthly nontaxable amount remains in effect until all of your previously-taxed contributions are fully recovered. At that point your benefits become fully taxable.

For those who retired before December 31, 1986 the monthly nontaxable amount is effective for as long as you or your survivor receive benefits.

If benefits cease before your previously-taxed contributions are fully recovered, the remaining balance can be claimed as a deduction on the income tax return of the last recipient, provided you retired on or after July 1, 1986. If you retired before July 1, 1986, no deduction is allowed for unrecovered contributions.

WITHHOLDING FEDERAL INCOME TAX FROM YOUR PENSION CHECK

Each new retiree will automatically receive a federal withholding tax form (W4-P) near the date of retirement. The Division of Pensions and Benefits is required by federal law to **automatically withhold federal income tax** from your pension check, based on a status of married with three allowances if you

do not complete a W4-P. The W4-P allows you to elect no withholding or, if you want withholding, to inform us of your tax filing status so that we can withhold the proper amount.

WITHHOLDING NJ STATE INCOME TAX FROM YOUR PENSION CHECK

If you live in New Jersey you will automatically receive a New Jersey State withholding tax form (NJ W4-P) near the date of retirement. Most retirees will not be subject to New Jersey income tax until they recover in pension checks the amount of the contributions which they made to the pension plan while working. If you will not recover your total contributions within three years of retirement, refer to your NJ Gross Income Tax Return Form 1040 booklet to determine how your pension is taxed.

If you are at least 62 or considered disabled by Social Security, you may exclude the following amounts of retirement income from New Jersey income tax for the tax year indicated below:

<u>Tax Year</u>	<u>Married Filing Jointly</u>	<u>Single</u>	<u>Married Filing Separately</u>
2000	\$12,500	\$9,375	\$6,250
2001	\$15,000	\$11,250	\$7,500
2002	\$17,500	\$13,125	\$8,750
2003 and beyond	\$20,000	\$15,000	\$10,000

Unlike federal income tax, **withholding for New Jersey income tax is completely voluntary**. No New Jersey income tax will be withheld unless you authorize it by completing a NJ W4-P. The amount withheld must be at least \$10.00 per month and in even dollar amounts (no cents). If you need help deciding whether to have this withheld or how much to have withheld, you can contact the New Jersey Division of Taxation at 1-800-323-4400.

If you live outside New Jersey, you are not required to pay New Jersey income tax on the pension you receive from the retirement system. The Division of Pensions and Benefits does not withhold income tax

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for other states. Check with your home state's tax office to determine if your pension is taxable in your state of residence.

CHANGING YOUR WITHHOLDING AMOUNT

If you wish to change your withholding **you must submit a new form** which you can obtain by calling the Division of Pensions and Benefits - Benefits Information Library (BIL) 24 hours a day, seven days a week, at (609) 777-1931 (if you have a touch-tone telephone). When your call is answered, press 122 on the key pad of your telephone. At the end of the message you can leave your name, address, and Social Security number, and a federal (or State) withholding form will be sent to you. If you are already having **more than the minimum** federal tax withheld, you should contact the Division of Pensions and Benefits at (609) 292-7524 for assistance in completing the form.

**QUESTIONS COMMONLY ASKED
AFTER RETIREMENT****Will I receive a statement of
pension income for tax purposes?**

Yes. Retirees receive Form 1099-R at the end of January each year, covering the previous tax year. This shows the gross retirement allowance; how much is subject to federal income tax; and the amounts, if any, that were withheld for federal and New Jersey income tax.

**Am I taxed on the
reimbursement of Medicare premiums?**

No. Some State employees and all employees of

boards of education or county colleges who retired with 25 or more years of service, or on a disability retirement, who are enrolled in the State Health Benefits Program are reimbursed in their pension checks for the Medicare Part B premiums they pay to Social Security. If you receive this Medicare reimbursement, the gross amount of your pension checks will be greater than the gross amount shown on your 1099-R because the Medicare reimbursement is not taxable. The Medicare premium reimbursement is subtracted from your total gross income to arrive at the gross pension reported to the IRS.

**Why doesn't my gross allowance equal 12 times
the amount of my December 1 check?**

When you receive a cost-of-living increase, your pension is changed each year with the February 1 check. Therefore, the gross allowance for your January 1 check is less than your next 11 checks.

Is my disability pension taxable?

If you are receiving a disability pension, your benefits are not subject to New Jersey income tax until you reach age 65.

If you are receiving an *Accidental* Disability pension, — or if you are a survivor receiving *Accidental* Disability or *Accidental* Death benefits — the Division of Pensions and Benefits reports your benefit as exempt from federal income tax.

Ordinary Disability pensions are subject to federal tax to the same extent as other pensions. Any questions should be referred to the IRS at the number listed below.

**THE DIVISION OF PENSIONS AND BENEFITS CANNOT GIVE TAX ADVICE.
CONSULT THE IRS (1-800-TAX-1040), OR THE NJ DIVISION OF TAXATION (1-800-323-4400 in NJ),
OR YOUR TAX ADVISOR FOR ASSISTANCE.**

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Purchasing Service Credit

Public Employees' Retirement System • Teachers' Pension and Annuity Fund • Police and Firemen's Retirement System

Since your retirement allowance is based in part on the amount of service credit posted to your account at the time of retirement, it may be beneficial for you to purchase additional service credit if you are eligible to do so. **Only active members of the retirement system are permitted to purchase service credit. An active member is one who has made contributions to the retirement system within two years of his or her purchase request and who has not retired or withdrawn his or her contributions.**

TYPES OF PURCHASE

If a type of service is not listed below, it is not eligible for purchase. Partial purchases are permitted; you may purchase all or part of any eligible service.

Temporary Service

PERS and TPAF members are eligible to purchase service credit for temporary, provisional, certain intermittent, or substitute employment if the employment was continuous and immediately preceded a permanent or regular appointment. PFRS members are eligible to purchase temporary employment provided the service rendered was in a title eligible for participation in the PFRS, was continuous, and immediately preceded a permanent or regular appointment.

- PERS, TPAF, or PFRS members are allowed to purchase temporary service rendered under a former account (subject to the conditions of the previous paragraph).
- Job Training Partnership Act (JTPA) service and its successor program established under the Workforce Investment Act of 1998 are not eligible for purchase.

Leave of Absence without Pay

PERS, TPAF, and PFRS members are eligible to purchase service credit for official leaves of absence without pay. (Maximum of 2 years for per-

sonal illness; maximum of 3 months for personal reasons.)

- Maternity-leave is considered personal illness (see note below).
- Child-care leave is eligible for purchase as a leave for personal reasons.
- A leave of absence without pay under a former membership may be eligible for purchase.

Note: A certification from a physician that a member was disabled due to pregnancy and resulting disability for the period in excess of three months is required. Otherwise, three months is the maximum period of purchase for maternity.

Former Membership Service

PERS, TPAF, and PFRS members are eligible to purchase service credited under a previous membership in any of the retirement plans administered by the New Jersey Division of Pensions and Benefits. To be eligible for this type of purchase, the previous membership must have been terminated, either because the member withdrew the contributions in the account or no contributions were made to the account for more than two years, and the account considered expired.

Out-of-State Service

PERS, TPAF, and PFRS members are eligible to purchase up to 10 years of public employment rendered with any state, county, municipality, school district, or public agency outside the State of New Jersey but within the United States (including U.S. territories or possessions) provided the service rendered would have been eligible for membership in a State of New Jersey-administered retirement system. This service is only eligible for purchase if the member is not receiving or eligible to receive retirement benefits from the out-of-state public pension fund.

Leaves of absence from out-of-state service are not eligible for purchase.

U.S. Government Service

PERS, TPAF, and PFRS members are eligible to purchase up to 10 years of credit for civilian service rendered with the U.S. Government provided the service rendered would have been eligible for membership in a New Jersey administered retirement system. This service is only eligible for purchase if the member is not receiving or eligible to receive retirement benefits from the federal government based in whole or in part on this service.

Military Service Before Enrollment

PERS, TPAF, and PFRS members are eligible to purchase credit for up to 10 years of active military service rendered prior to enrollment provided the member is not receiving or eligible to receive a military pension* or a pension from any other state or local source for such military service.

If you qualify as a veteran, you may be eligible to purchase an additional five years of military service.

Military Service After Enrollment

Under the requirements of the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), members may receive credit for military service rendered after October 13, 1994. The member must be enrolled in a New Jersey State-administered retirement system when entering the peacetime military service and, when discharged from or otherwise ending military service, must return to employment within the time periods prescribed by federal law in a position covered by a New Jersey State-administered retirement system.

USERRA eligible service will only be used to determine *eligibility* for benefits. The *calculation* of retirement benefits will not use the USERRA eligible service unless the employee pays the required pension contributions for the period of military service.

A member receiving or eligible to receive a military pension, based in whole or in part on **service in the reserves, may purchase credit for active military service.*

Uncredited Service

Any regular employment with a public employer in New Jersey for which the member did not receive retirement credit and which would have been previous compulsory membership (see Important Notes on page 4).

Local Retirement System Service

PERS, TPAF, and PFRS members are able to purchase service credit established within a local retirement system in New Jersey if they were ineligible to transfer that service to the State retirement system upon withdrawal from the local retirement system. This service is only eligible for purchase if the member is not receiving or eligible to receive retirement benefits from that local retirement system.

Layoff (PFRS only)

Members of the Police and Firemen's Retirement System (PFRS) who were laid off and were in good standing at the time of separation from employment (not released for misconduct or delinquency), and who are subsequently rehired to a similar (police or firefighter) service position in the PFRS, can purchase up to three years for the time period in which the member was laid off. The member must now be an actively contributing member of PFRS to make this type of purchase.

The cost of a layoff purchase is calculated using the salary for the 12 months prior to the layoff.

Employment with Other Agencies (PFRS only)

If you have at least 20 years of service credit in the PFRS and you leave to accept a full-time position (with your employer's approval) in one of the agencies listed below, you may purchase a maximum of three years of such service upon your return to covered employment.

- a federal agency;
- an agency of another state or local government; or
- an organization whose principal function is offering professional, advisory, research, educational, or developmental services to govern-

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ments or universities concerned with public management.

PROCEDURES FOR PURCHASING SERVICE CREDIT

You may obtain a quotation of the service credit you qualify to purchase and the cost to purchase that service by submitting an *Application to Purchase Service Credit* to the Division of Pensions and Benefits. This form is available from your employer or by writing to Client Services, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. You can also download the application over the Internet at www.state.nj.us/treasury/pensions. You can receive an *estimate* of the cost of purchasing service credit by calling our Automated Information System at (609) 777-1777.

The cost of a purchase is based the following:

- your nearest attained age at the time the Division receives your application;
- your current annual salary or highest fiscal year salary posted to your account, whichever is higher (except for layoff purchases for PFRS members);
- the amount of service you are purchasing; and
- whether the purchase is a shared-cost or full-cost purchase (see Important Notes on page 4).

The cost of the purchase will normally increase with an increase in your age and/or salary.

Upon determining that the time requested is eligible for purchase, the Purchase Section will process your request. After the processing of your purchase request by the Division of Pensions and Benefits, you will receive a quotation of the service credit you qualify to purchase and both the lump sum cost to make the purchase and the cost if paid through payroll deductions. You will have 60 days from the date of the letter to decide if you want to authorize the purchase.

PAYING FOR A PURCHASE OF SERVICE CREDIT

You may pay for a purchase service credit:

- with one lump-sum payment;
- by having extra payroll deductions withheld from your pay. The minimum deduction is equal to one-half of the full rate of contribution to the pension system (2.5 percent of salary for PERS and TPAF members and 4.25 percent of salary for PFRS members) over a maximum period of 10 years and includes interest of 8.75 percent; or
- by making an initial down payment and having the remainder paid through payroll deductions.

Lump-sum or partial payments should be included with the return of your *Purchase Authorization* form to the Division. If you elect to have payroll deductions (including partial payments) you will receive a *Certification of Payroll Deductions* after your authorization form has been processed.

Lump-sum and partial payments cannot be refunded for any reason. Partial payments are not permitted after deductions begin; however, you may pay off the entire purchase in one lump-sum payment at any time after deductions have been scheduled or you may request a cancellation of your remaining payroll deductions and receive only a portion of the service.

To cancel future deductions and have your service credit prorated for the amount you have paid toward the purchase, your request must be made in writing to the Adjustment Section, Division of Pensions and Benefits, PO Box 295, Trenton, 08625-0295. Your cancellation and proration will automatically be projected into the next payroll certification date (approximately one month for employees whose contributions are reported monthly to the Division or three pay periods for employees whose contributions are reported to the Division on a biweekly basis).

Members who have applied for retirement can request a proration for a *future* date. Otherwise, if you retire before completing all of the scheduled

payments, you will automatically receive prorated credit for the amount of service you have paid for or you can pay the remaining balance in a lump-sum and receive full credit.

IMPORTANT NOTES

Military Veterans and Non-Veterans

If you qualify as a **non-veteran**, you are eligible to purchase an aggregate of 10 years of service credit for work outside New Jersey (out-of-state, military, and U.S. Government service).

If you qualify as a **veteran**, you may be eligible to purchase an additional 5 years of military service rendered during periods of war for an aggregate of 15 years of service outside New Jersey (out-of-state, military, and U.S. Government service).

Shared and Full Cost Purchase

For most types of purchase, the cost is shared between the employee and the employers who participate in the pension plan. When statute specifically provides that the employer shall not be liable for any costs of the purchase, you as the member must pay the full cost. If you purchase local retirement system service, U.S. Government service, military service before enrollment, layoff for members of PFRS, or employment in certain other agencies (PFRS only), you are responsible for the

full cost. Therefore, the cost to you for purchasing these types of service will be twice the cost for other types of purchase.

The purchase of Uncredited Service is a shared cost purchase, however, the employer bears no cost for this type of service.

Leave of Absence

If you are on a leave of absence for two or more years, additional interest will be assessed on any outstanding balance of your purchase. However, if you separate from employment for two or more years (other than on a leave of absence), the purchase will be canceled and the service credit prorated.

Disability Retirement

The purchase of U.S. Government, out-of-state, or military service before enrollment cannot be used to qualify for a disability retirement.

Taxation of Purchase Payments

The contributions you make to purchase the types of service credit described in this fact sheet are not federally tax deferred like your normal pension contributions. These contributions will not be included as taxable income when you start receiving benefits at retirement.

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Estimating the Cost of Purchasing Service Credit

Public Employees' Retirement System • Teachers' Pension and Annuity Fund

The cost of purchasing service credit is based on your nearest age at the time the Division of Pensions and Benefits receives your purchase application and the higher of your current annual base salary or highest fiscal year (July 1 to June 30) base salary as a member of the retirement system. For most members, the cost of the purchase will normally increase with an increase in your age and/or salary.

You may purchase service credit:

- in one lump-sum payment; or
- by having extra payroll deductions withheld from your pay (the minimum deduction must be at least one-half of your rate of pension contribution over a maximum of 10 years and includes interest of 8.75 percent); or
- by paying a single down payment and paying the remainder through payroll deductions.

See *Fact Sheet #1 - Purchasing Service Credit* for a detailed explanation of the various types of service eligible for purchase. You do not have to purchase all of the eligible service. Partial purchases are permitted.

When you agree to purchase service credit through payroll deductions, the Division of Pensions and Benefits assumes that you will complete the purchase and credits your account with the entire amount of service. Once you have given authorization to purchase service credit to the Division, you cannot rescind a purchase and receive a refund of any payments. You may cancel future deductions and have your service credit prorated for the amount previously purchased.

Cancellation requests must be made in writing to the Adjustment Section, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. Your cancellation and prorate will automatically be projected into the next payroll certification date (approximately one month for employees whose

contributions are reported monthly to the Division or three pay periods for employees whose contributions are reported to the Division on a biweekly basis).

Only members who have applied for retirement can request a prorate for a *future* date. Otherwise, if you retire before completing all required payments, you will automatically receive prorated credit for the amount of service actually purchased or you can pay the balance and receive full credit.

You may obtain a quotation of the cost for purchasing additional service credit by submitting an *Application to Purchase Service Credit* to the Division of Pensions and Benefits. This form is available from your employer or by contacting the Division of Pensions and Benefits. You can also download the application over the Internet at www.state.nj.us/treasury/pensions. You can receive an *estimate* of the cost of purchasing service credit by calling our Automated Information System at (609) 777-1777. Before you submit your application to purchase service credit, you may want to estimate the cost yourself. Please follow the instructions below to determine the cost of your purchase.

DETERMINING THE COST OF PURCHASING SERVICE CREDIT

Using the chart on the back, locate your **nearest age** and the corresponding purchase factor for that age. For example, if you are 35 years and 5 months of age at the time of your request, your nearest age is 35 years of age and the corresponding factor is .039. If you are 35 years and 6 months of age at the time of your request, your nearest age is 36 years of age and the corresponding factor is .040.

Example: You wish to buy 3 years and 6 months of eligible temporary service you rendered to your current employer **before enrollment in the retirement system**. You are 35 years and 6 months of age at

the time of your request and your current annual base salary is \$40,000. (This is the highest salary you have earned during your membership in the retirement system.)

To calculate the cost of this purchase, multiply the factor corresponding to the age of 36 (.040) times the annual salary (\$40,000). This equals \$1,600. Multiply \$1,600 times the number of years being purchased (3.5). The estimated total lump-sum cost of this purchase is \$5,600.

Shared Cost Purchase

The above procedure can be used to calculate the

costs of the following *shared cost* purchases: temporary service, former membership in a New Jersey State-administered retirement system, leaves of absence, and out-of-state service.

Full Cost Purchases

To calculate the purchase cost to purchase military service, local retirement system, and U.S. Government civilian service, you use the same procedure **except you must double the resulting cost**. In the example used, the *full cost* for these types of purchases would be \$11,200 ($0.040 \times \$40,000 \times 3.5 \times 2$).

A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS**WORKSHEET****SHARED COST PURCHASES**

To estimate the cost of purchasing temporary service, former membership in a New Jersey State-administered retirement system, uncredited service, leaves of absence, or out-of-state service, use the worksheet below:

$$\frac{\text{X}}{\text{Age factor}} \times \text{Highest Annual Salary} = \text{Cost of 1 Year}$$

$$\frac{\text{X}}{\text{Cost of 1 Year}} \times \text{Number of Years Purchased} = \text{Total Cost}$$

FULL COST PURCHASES

To estimate the cost of purchasing military service, U.S. Government civilian service, or local retirement system service use the worksheet below:

$$\frac{\text{X}}{\text{Age factor}} \times \text{Highest Annual Salary} = \text{Cost of 1 Year of Shared Cost Purchase}$$

$$\frac{\text{X}}{\text{Cost of 1 Year}} \times \text{Number of Years Purchased} \times 2 = \text{Total Cost}$$

Age at Purchase	Purchase Factor*	Age at Purchase	Purchase Factor*	Age at Purchase	Purchase Factor*	Age at Purchase	Purchase Factor*
20	0.031	33	0.038	46	0.050	59	0.071
21	0.032	34	0.039	47	0.051	60	0.073
22	0.032	35	0.039	48	0.052	61	0.072
23	0.033	36	0.040	49	0.054	62	0.071
24	0.033	37	0.041	50	0.055	63	0.070
25	0.033	38	0.042	51	0.057	64	0.068
26	0.034	39	0.043	52	0.058	65	0.067
27	0.034	40	0.044	53	0.060	66	0.066
28	0.035	41	0.045	54	0.061	67	0.064
29	0.036	42	0.046	55	0.063	68	0.063
30	0.036	43	0.047	56	0.065	69	0.062
31	0.037	44	0.048	57	0.067	70 (and over)	0.060
32	0.037	45	0.049	58	0.069		

**The cost factors have been rounded, your actual cost may vary.*

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Enrolling in the State Health Benefits Program When You Retire

State Health Benefits Program

WHO IS ELIGIBLE?

The following full-time employees, who are eligible for employer-paid health insurance coverage **until their retirement date**, will be offered State Health Benefits Program (SHBP) coverage for themselves and their eligible dependents when they retire:

- State employees, employees of State universities/colleges and autonomous State agencies and commissions, as well as local employees who were covered by the SHBP.
- Members of the Teachers' Pension and Annuity Fund (TPAF) and school board or county college employees enrolled in the Public Employees' Retirement System (PERS) who retire with 25 years or more of service credit in the pension fund or who retire on a disability retirement, even if their employer did not cover its employees under the SHBP. This also includes those who elect to defer retirement with 25 or more years of service credit in the pension fund.
- Members of the TPAF and PERS who **retired** from a board of education, vocational/technical school, or special services commission, with less than 25 years of service credit if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B.
- Participants in the Alternate Benefit Program (ABP) who retire with at least 25 years of credited ABP service or those who are on a long-term disability.
- Certain local policemen or firemen with 25 years or more of service credit in the pension fund or retiring on a disability retirement if the employer does not provide any payment or compensation toward the cost of the retiree's health benefits in accordance with Chapter 330, P.L. 1997. A qualified retiree may enroll at the time of retirement or when becoming eligible for Medicare.

HOW DO I ENROLL?

Generally, your employer will continue to cover you in the active employee group for one month beyond your termination of employment. **Eligible members whose employer does not participate in SHBP will be enrolled as of their retirement date.** Continuation of your health benefits into retirement is **not automatic**. When the Division of Pensions and Benefits receives your retirement application, notification is sent to the Health Benefits Bureau. If you file your *Application for Retirement Allowance* at least three months before your retirement date, you will be sent an offering letter for enrollment in the retired group of the SHBP along with a rate chart showing the cost for each type of coverage, about two months before your retirement date. You must complete and return the *SHBP Retired Status Application* to be enrolled. If you are not eligible for employer-paid coverage, the premium will be deducted from your retirement check each month, or you will be billed on a monthly basis if the amount of your retirement check is not enough to cover your premium.

If you had dental, prescription, or vision care coverage through your employer, federal COBRA guidelines require your employer to offer you continued coverage under those plans for up to 18 months after retirement at your expense. To apply, you must contact your employer for a COBRA application upon terminating employment.

MEDICARE COVERAGE AT AGE 65

Retired group members or their dependents (including members on disability retirement) eligible for Medicare must enroll in Parts A and B of Medicare. Attach a photocopy of your Medicare ID card, or a letter of confirmation from Social Security stating the effective dates of enrollment, to the application for SHBP coverage. If you and/or your spouse are age 65 at retirement and have not enrolled in both parts of Medicare, you should contact Social Security to apply for full Medicare coverage 90 days

prior to your retirement date.

WILL ENROLLMENT IN MEDICARE AFFECT THE COST OF SHBP GROUP COVERAGE?

If you are paying the full cost of your coverage, the cost generally decreases when you or your spouse enroll in the full Medicare program since most SHBP health plans charge lower premiums for Medicare eligible members.

HOW DO I PAY THE COVERAGE COST?

State Employees and Employees of State Universities/Colleges: If you had 25 or more years of service credited in one pension system before July 1, 1997, the State of New Jersey agreed to pay the full health benefit cost. In addition, you will be reimbursed for the full prevailing cost of any Medicare Part B premiums paid by you and/or your spouse.

If you attain 25 years of service after July 1, 1997 or retire on a disability retirement you may share in the health insurance costs according to the terms specified in the appropriate bargaining unit agreements in effect at the time you reached your 25 years credited in the system or retired with a disability retirement. Any reimbursement of Medicare Part B premiums paid by you and/or your spouse may also be limited by the terms of the bargaining unit agreement.

If you are a State employee enrolled in the TPAF and you retire with 25 or more years of service in the pension plan or on a disability retirement, the State will pay for your health benefits coverage and you will be reimbursed for the full prevailing cost of any Medicare Part B premiums paid by you and/or your spouse.

State employees and employees of State universities/colleges who do not retire on a disability retirement or do not have 25 or more years of service credited in one pension system at the time of retirement pay the full cost of health benefits coverage. Premiums are usually deducted from the monthly pension checks. If the monthly check is not sufficient to cover the premium, you are billed monthly.

School Board and County College Employees: The State of New Jersey, by law, pays for the health benefit cost for school board and county college

employees who retire with 25 or more years of service credit in the pension plan and for those approved for disability retirement. In addition, the State will reimburse you for the Medicare Part B premiums paid by you and/or your spouse.

Other Local Employees: Chapter 48, P.L. 1999, gives local employers who participate in the SHBP the option of paying for the cost of health premiums and/or Medicare Part B premiums for their retirees, as negotiated with the various bargaining agents for their employees. Employers may pay for the following groups of retiring employees:

- Employees who retire on a disability retirement;
- Employees with 25 years of service in the pension system. The employer may further require a certain number of years of service with that employer or that the employee be at least age 65 at the time of retirement;
- Employees who are at least age 62 with 15 or more years of service with the employer.

If the employer does not pay for retiree health benefit premiums or only pays for a portion of them, the retirees have deductions taken from their monthly pension checks. If the monthly check is not sufficient to cover the premium, the retiree is billed monthly.

Some local employers agreed before the enactment of Chapter 48, to pay under the provisions of Chapter 88, P.L. 1974, for the health benefits for employees who retired with 25 or more years of service credited in one pension system and for those approved for disability retirement. These employers also agreed to reimburse those employees for the Medicare Part B premiums paid by the member and/or their spouse. Check with your employer to determine if they adopted the provisions of this law.

Combining Service Credit from More than One Pension Fund

If you meet the eligibility requirements for enrollment in the SHBP at retirement, you may combine non-concurrent service credit from more than one State or locally administered retirement system to meet the 25-year minimum for State or employer paid coverage.

To qualify for coverage based on combined service in more than one retirement system, you must:

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- Retire and be receiving a retirement benefit **from each pension fund membership**;
- Have 25 or more years of nonconcurrent pension service credit in total;
- Retire from the last retirement system after August 15, 2001;
- Be eligible for SHBP coverage from your last employer; and
- Notify the State Health Benefits Program that you have an aggregate of 25 or more years of nonconcurrent service in more than one public retirement system in New Jersey (see below).

Upon notification, the Division of Pensions and Benefits must verify your service with the different pension funds before the concurrent service credit can be applied to meet the 25-year minimum for State or employer-paid coverage.

A retiree from the State, or from a participating local employer who has agreed by resolution to pay for the coverage of their retirees, must be eligible for employer-paid SHBP coverage immediately prior to retirement from the last contributing employer in the retirement system.

A school board or county college retiree must be eligible for employer-paid coverage immediately prior to retirement or separation from the school board or county college. The school board or county college must have been your last contributing employer.

Notification if You Qualify Due to Service in Two or More Pension Funds

If you retire from a position with the State or an employer who participates in the SHBP, you will receive an SHBP offering letter for Retired Group coverage. When you respond to that offering letter you should tell us that you have over 25 years of service in two or more New Jersey public retirement systems. You should identify the retirement systems so we can verify your service credit.

If you retire from a position with a school board or county college that does not participate in the SHBP, the Health Benefits Bureau will not know to send you an offering letter. You must contact the SHBP and tell us you have over 25 years of service in two or more New Jersey public retirement systems. You should also identify the retirement systems so we can verify your service credit.

MAY I CHANGE MY PLAN (INSURANCE CARRIER) UNDER THE SHBP?

You must complete an application for health benefits as a new retiree, even if you are selecting the same plan (Traditional, HMO, or NJ PLUS) you had as an active employee. Thereafter, you may change your plan when the rate increases, or at any time if you have been with that same health plan for at least a year. If you are covered by an HMO or NJ PLUS and move out of the area serviced by the HMO or NJ PLUS, you may select a different plan within 30 days of the move regardless of the date of your last change.

WILL MY HEALTH BENEFITS COVERAGE EVER TERMINATE?

Coverage under the SHBP retired group will terminate if:

- you formally request the termination in writing, or you complete a *SHBP Retired Status Application* and select termination of coverage (**reinstatement will generally not be permitted**);
- your premiums are not paid;
- your plan discontinues services in your area and you do not submit an application to the SHBP to change to another plan;
- your employer withdraws from the SHBP (**does not apply** to retirees who qualified for State-paid coverage; i.e. former employees of local school districts or county colleges, and municipal policemen and firemen who qualify under the provisions of Chapter 330, P.L.1997);
- you or your spouse fail to enroll in Parts A **and** B of Medicare when you become eligible; or
- you cease to receive retirement benefits.

WHO ARE MY ELIGIBLE DEPENDENTS?

Your eligible dependents are your spouse (unless you are legally separated) and your unmarried children under age 23 who live with you in a regular parent-child relationship. Coverage for the child ends on December 31 of the year in which the child turns 23 or at the end of the month in which they marry or become independent. An enrolled child over the age of 23 who is incapable of self-support due to mental or physical incapacity may remain covered if you file

for continuance of coverage with the SHBP and the request is approved. **You must file your request for a continuance of coverage within 31 days of the dependent's termination date.**

If you divorce, coverage for your spouse ends at the end of the month in which you divorce. Your children who do not live with you may be covered if you can prove that you are legally required to support the children. Stepchildren, foster children, and legal wards who are living with you may be included provided you can prove they are substantially dependent upon you for support and maintenance. An affidavit of dependency is required and is available from the Health Benefits Bureau.

WHEN CAN I ADD OR REMOVE A DEPENDENT FROM COVERAGE?

You may file an application to add members within 60 days of a change in family status. Examples of family status changes include marriage, birth, adoption of a child, or a change in your spouse's employment that significantly affects the health benefits coverage provided by your spouse's employer. The family member will be enrolled retroactively to the date of eligibility. If the application to add a spouse or dependent is not received within 60 days of the status change, there will be a ***minimum 2 month waiting period*** from the date the enrollment application is received until the member is covered beginning the first of the month following the expiration of the waiting period. You may remove family members from coverage at any time but not retroactively. Decreases in coverage will be processed on a timely basis. ***It is your responsibility to notify the SHBP of any change in family status.*** If family members are not properly enrolled, claims will not be paid.

WHAT HAPPENS TO MY SPOUSE'S COVERAGE WHEN I DIE?

Your spouse's coverage under your plan will end at the end of the month in which you die. However, your

spouse will be sent a letter and application offering continuation of coverage (s)he had prior to your death (though they may have to pay for it even if the prior health coverage was free). Your spouse will be reenrolled for coverage under his/her own name and Social Security number, without a break in coverage, upon the timely receipt of the completed and signed application. If your spouse will be receiving a monthly pension check large enough to cover the premium, the premium will be deducted monthly. If your spouse will not receive a pension check or if the pension check is not large enough to cover the cost, your spouse will be billed monthly for the premiums. Some employers have agreed to pay for the coverage of spouses of deceased retirees; check with your employer to see if they provide this benefit. Neither the State nor the TPAF pays for the coverage of spouses of deceased retirees.

IF I HAVE QUESTIONS ABOUT ANY RETIRED SHBP COVERAGE, WHOM CAN I CONTACT?

Information about your current SHBP plan, level of coverage, and dependent information can be obtained 24 hours a day, 7 days a week, by calling the Division of Pensions and Benefits' Automated Information System at (609) 777-1777.

Questions about enrolling in the SHBP, changing health plans, adding or deleting coverage for family members, or the monthly premiums should be directed to the Division of Pensions and Benefits at the phone number and address shown at the bottom of this page.

Questions about whether a specific procedure is covered, the issuance of ID cards, or claim problems should be directed to the health insurance plan you selected. The phone number for the Traditional Plan and NJ PLUS is 1-800-414-SHBP (7427). The phone number for an HMO should appear on your ID card.

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(609) 292-7524 • TDD for the hearing impaired (609) 292-7718**

URL: <http://www.state.nj.us/treasury/pensions> • E-mail: pensions_nj@tre.state.nj.us

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Although every attempt at accuracy is made, it cannot be guaranteed.

Employment After Retirement

Public Employees' Retirement System

As people are retiring at an earlier age and living longer after retirement, the question of how employment after retirement will affect pension benefits is becoming more important. This fact sheet provides information a Public Employees' Retirement System (PERS) retiree should consider when deciding on returning to the work force in either a full- or part-time capacity.

Working for private industry, the federal government, or a government agency in another state will not normally affect your PERS retirement benefits. (See the Disability Retiree section on page 3 for exceptions to this.) Returning to public employment in New Jersey after retirement, however, could affect your benefits as shown in the following information. Your prospective employer should be able to tell you whether the employment you are considering is covered under the PERS.

PERS RETIREE RETURNING TO WORK IN A PERS COVERED POSITION

PERS Membership Continued

When you return to PERS covered employment is critical in determining your PERS status. You should expect to continue enrollment in PERS if you start working in a PERS covered position before your pension has become due and payable. A pension benefit is due and payable 30 days after the date of Board approval, or the retirement date, whichever is later. You must have at least a 30-day break in service after your retirement date to be considered retired from the PERS. If you return to PERS covered employment within 30 days of your retirement date, your retirement is not valid, and you are considered an active employee.

PERS Enrollment Required

In addition to the State agencies, over 1800 local employers throughout the State participate in the PERS. You should expect to be reenrolled in the PERS if you accept employment with the State or any of the local participating employers in a PERS covered position and:

- Your aggregate salary from all post-retirement public employment exceeds \$15,000 in a calendar year (except disability retirees, see below), and
- Your position is not covered by a different State-administered retirement system.

PERS Enrollment Not Permitted

You cannot rejoin the PERS if:

- The aggregate annual salary or salaries for the position or positions does not exceed \$15,000 in a calendar year, or \$1,499 from a single employer for those retired on a disability retirement;
- The position is not covered by Social Security;
- You are employed with an institution of higher education in a teaching position covered by the PERS;
- You are a seasonal or intermittent employee;
- You are employed by the New Jersey Department of Education* in a position of critical need as determined by the Commissioner of Education; or
- You are employed by a board of education* in a position of critical need as determined by the superintendent of the district on a contractual basis for a term of not more than one year. You will be able to renew the employment contract for one additional year; however, your total period of employment with any individual board of education may not exceed a two-year period.

PERS Enrollment Optional

Enrollment in the PERS is optional if you are:

- A special service employee hired under the

*Chapter 355, P.L. 2001 provides that if you accept employment with the same employer from which you retired within 120 days of retirement, you would have to reenroll in the retirement system.

federal Older American Community Service Employment Act; or

- A non-veteran elected official.

If you decide not to enroll in the PERS, you are entitled to collect your PERS retirement allowance while you are receiving salary as an elected official or special service employee.

\$15,000 Salary Threshold

A PERS retiree may be hired in a PERS position without having to resume active membership in the PERS provided that the aggregate calendar year salary or salaries of the new position or positions does not exceed \$15,000. The retiree must also have had a break in service of at least 30 consecutive days after the retirement date prior to the resumption of employment in the new position.

Chapter 278, P.L. 2001, changed the \$10,000 threshold for reenrollment in the PERS to \$15,000. It also changed the calculation for determining when the threshold would be reached. Prior to the enactment of Chapter 278, a PERS retiree who returned to work with more than one PERS employer could consider the salaries earned at each employer separately for the \$10,000 annual limit. For example, if an employee's annual salary at one employer was \$9,000 and the annual salary at another employer was \$7,500, the employee would not have been required to reenroll in the PERS. Chapter 278 now provides that a PERS retiree may return to PERS covered employment and earn an aggregate amount of \$15,000 or less in a calendar year. All PERS covered employment is considered in determining whether the \$15,000 threshold has been reached. For example, a retiree who earns \$7,000 per year from two PERS positions (\$14,000 annually) would not be eligible to reenroll, but a retiree who earns \$7,501 per year from two PERS positions (\$15,002) would be required to reenroll.

Regardless of the type of position you accept (except hourly), you should expect to be reenrolled in the PERS if your contractual compensation is more than \$15,000 per year. **If you work for more than one PERS employer, and you know that your combined contractual salary will exceed \$15,000, you should inform your employers immediately so that you may be reenrolled in the PERS as of the beginning of your employment.**

If you are an hourly employee, you should expect to be reenrolled in the PERS as soon as your compensation exceeds \$15,000 in a calendar year. For example, a PERS retiree working on an on-call basis as a substitute teacher would not be reenrolled until the \$15,000 threshold was reached. If you are employed by more than one public employer on an hourly or per diem basis after retirement, it is your responsibility to keep track of your salaries in order to determine when you reach or will reach the \$15,000 threshold. Once you are about to reach this threshold, you should inform your employers so that you may be reenrolled.

If you are employed by more than one public employer after retirement, it is your responsibility to keep track of your salaries in order to determine when you reach or will reach the \$15,000 threshold and to inform your employers when you reach this threshold.

Your employers cannot do this for you because they do not share payroll information with each other. Annually, the Division of Pensions and Benefits does compare retirement lists against Department of Labor wage reporting records from public employers in New Jersey. Therefore, PERS retirees who exceed the \$15,000 earnings limit without reenrolling will be identified. You should be very aware of this earnings limitation and be careful not to exceed it. If the Division becomes aware of earnings in excess of the \$15,000, you will be required to suspend your retirement allowance and be reenrolled in the PERS. You would also be required to reimburse the Division for any retirement benefits you received after the threshold amount was reached and make pension contributions back to the date of your reenrollment.

If you have returned to employment and reenrolled in the retirement system, you must remain in the system as an active employee until you terminate all PERS covered employment and retire again. Falling below the Chapter 278 earnings limit does not eliminate the requirement that you continue to contribute to the PERS.

EFFECT ON RETIREMENT BENEFITS IF REEMPLOYED IN A PERS ELIGIBLE POSITION

Unless otherwise stated above, you must reenroll in the PERS as a condition of your employment if you

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are collecting retirement benefits, other than disability retirement benefits, from the PERS, and you accept full- or part-time employment in a position covered by the PERS. Your retirement allowance will be suspended for the duration of your employment, and you become an active contributing member again. (If you are over age 60, you must prove insurability for life insurance coverage.) If you die while in the second membership, no benefits from the previous membership or retirement are payable, other than the return of your contributions not used to pay your retirement allowance. This means that retirement option settlements and death benefits (insurance) from the suspended retirement would not be paid to your beneficiaries.

If you return to employment under the PERS and are eligible for membership but you fail to enroll, you would be required to reimburse the retirement system in the amount of all retirement benefits you received since the date you should have enrolled. In addition, you would be required to pay pension contributions in the form of back deductions back to your enrollment date. Your employer may also be liable for pension and Social Security contributions. There is no limitation on the amount of reimbursement that may be recovered by the retirement system in these situations.

The following steps should occur when you are reemployed in a PERS position and reenrolled:

1. Your employer must submit a PERS enrollment application on your behalf to the Division of Pensions and Benefits.
2. The Division will suspend your retirement allowance as of the date you are required to reenroll in the PERS. The date of enrollment is not negotiable. The Division will process your enrollment application and send a certification to deduct pension contributions to your employer.
3. The Division will bill you for any retirement payments you received after the effective date of your new PERS enrollment. Because of the sequence of events, most retirees are enrolled in the PERS on a retroactive basis. You should therefore anticipate that you will be required to refund one or more pension checks to the retirement system.
4. You must file an application for retirement on or

before the effective date of your second retirement. Your former retirement allowance and any option selection will be restored along with any appropriate cost-of-living adjustment due based upon your original date of retirement. In addition, you will receive a retirement allowance based upon your new period of service. These two calculations are paid in one retirement check.

You cannot combine your first and second account to qualify for a Veteran Retirement. Service credit from your first and second account can be combined to qualify for employer-paid State Health Benefits Program coverage. In order to receive this coverage, you must meet the eligibility requirements for State or employer-paid coverage from your final employer in the retirement system from which you last retire.

Note: Any additional allowance due as a result of the second period of service will be determined under the Service Retirement formula; a reduction applies if the retiree is under age 55. By law, the combined retirement allowances cannot be greater than the allowance you would have received if your first retirement had not occurred.

RETURNING TO WORK IN A POSITION COVERED BY A DIFFERENT NEW JERSEY STATE-ADMINISTERED RETIREMENT SYSTEM

In this case, your retirement allowance continues and you can receive salary but you cannot become a member of that retirement system.

DISABILITY RETIREES RESTORED TO ACTIVE SERVICE IN THE PERS

Before you can return to active service in a PERS-eligible title you must:

1. Make a written request to return to active service to the Division of Pensions and Benefits.
2. Submit a physician's report to the Division certifying that you are no longer disabled and can return to employment. The physician should be one with the same specialty as the physician who originally certified that you were disabled.
3. Be examined by a physician appointed by the PERS Board of Trustees.
4. Be approved for return to active service by the

PERS Board of Trustees.

When you return to active service and earn an annual salary of \$1,500 or more, you must enroll again in the retirement system. Deductions for pension are resumed and you are treated as an active employee in all respects. Upon subsequent retirement, you will receive a benefit based on total service.

DISABILITY RETIREES — EARNINGS AFTER RETIREMENT

If you are a disability retiree, your annual retirement allowance may be adjusted if you have earnings from any occupation after retirement. The law states that the pension of such a retiree shall be reduced to an amount which, when added to the amount being earned by the retiree, does not exceed the amount of salary currently attributable to the former position of the retiree.

OTHER CONSIDERATIONS

State Health Benefits Program Retired Group Coverage

Returning to public employment in New Jersey may affect your eligibility to continue coverage under the State Health Benefits Program (SHBP). If your retirement allowance is suspended because you return to work in a position covered by the PERS, your retired group SHBP coverage is also suspended.

If you are eligible for SHBP coverage based on your second retirement, the Division will send you an offering letter and *SHBP Retired Status Application* (for SHBP enrollment). Complete and return the application. You will be asked to submit payment with your application. If your previous coverage was State- or employer-paid, attach a note to the application identifying your prior retirement account. If you are not eligible for SHBP coverage based on your second account, you must write to the Division to have your retired coverage reinstated.

Returning to a position not covered by PERS will not affect your eligibility for retired group coverage under the SHBP. Maintaining SHBP retired group coverage also does not affect your eligibility for active group health coverage associated with your new employment.

If you work in a position that does not entail pension

membership, the time in that position does not count towards meeting service requirements for employer-paid health benefits coverage in retirement.

Social Security Benefits

There is an earnings test for people under age 65 receiving social security benefits. Check with the Social Security Administration at 1-800-772-1213 for information on earnings limits before accepting employment.

SELF EMPLOYMENT ISSUES

The Division of Pensions and Benefits is frequently approached by PERS retirees who seek recognition as independent contractors rather than employees. These retirees want to resume work similar to that performed while they were public employees without affecting their eligibility to receive PERS retirement benefits. While it is the public agency's responsibility to correctly classify the worker's employer-employee relationship, our experience indicates that workers are frequently incorrectly identified as independent contractors when they are, in fact, employees of the agency.

As a rule, the Division of Pensions and Benefits accepts the tests and standards used by the Internal Revenue Service and the NJ Department of Labor, Division of Employment Security Revenue, to determine the employer-employee relationship. Since penalties levied by the IRS can be severe, both the worker and the employer should give careful consideration before classifying a worker as an independent contractor. In addition to IRS penalties and any penalties imposed by the NJ Department of Labor in the event that an employee has been incorrectly classified as an independent contractor, there are penalties relating to the PERS. The employer will be assessed delinquent enrollment charges for failing to enroll an employee in the retirement system in a timely fashion. The employee will be required to refund all retirement benefits received after the date enrollment should have occurred. The employee must also pay any retroactive pension contributions due on the new PERS account.

The IRS test to assess the employer-employee relationship includes the following factors:

- Degree of control
- Right to discharge

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- Right to delegate work
- Right to hire and fire assistants
- Payment by the hour
- Furnishing of training
- Skill
- Duration of relationship
- Control over hours of work
- Independent trade
- Furnishing tools
- Place of work
- Profit and loss
- Intent of the parties
- Principal in business
- Sequence of work
- Reports required
- Same work as others classified as employees
- Integration
- Industry custom

While none of the factors are controlling and response to all must be weighed together, under the common law definition of "employment," one of the most important factors for consideration is whether

the employer has the right to instruct and control the employee in respect to the details of the work that is performed by the employee.

For additional clarification on the independent contractor issue, contact the NJ Department of Labor, Division of Employment Security Revenue at (609) 292-2321.

**SPECIAL NOTICE FOR
RETIREEES IF REENROLLED
TO A PERS COVERED POSITION**

If you are reenrolled in the PERS after retirement, you are treated as an active member in all respects. Your retirement allowance is suspended as a result of a return to PERS covered employment and no retirement or insurance benefits associated with your former retirement will be paid to your beneficiary should you die during your second membership. If you are over the age of 60 when you reenroll, you will be required to prove insurability through physical examination before you will be covered by the group life insurance benefits of active members. Once you retire again, the death benefits associated with your first retirement become effective.

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**New Jersey Division of Pensions and Benefits • PO Box 295 • Trenton, New Jersey 08625-0295
(609) 292-7524 • TDD for the hearing impaired (609) 292-7718**

URL: <http://www.state.nj.us/treasury/pensions> • E-mail: pensions.nj@treas.state.nj.us

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Employment After Retirement

Teachers' Pension and Annuity Fund

As people are retiring at an earlier age and living longer after retirement, the question of how employment after retirement will affect pension benefits is becoming more important. This fact sheet provides information a Teachers' Pension and Annuity Fund (TPAF) retiree should consider when deciding on returning to the work force in either a full- or part-time capacity.

Working for private industry, the federal government, or a government agency in another state will not normally affect your TPAF retirement benefits. (See the Disability Retiree section on page 3 for exceptions to this.) Returning to public employment in New Jersey after retirement, however, could affect your benefits as shown in the following information. Your prospective employer should be able to tell you if the employment you are considering is covered by the TPAF.

TPAF RETIREE RETURNING TO WORK IN A TPAF COVERED POSITION

TPAF Membership Continued

When you return to TPAF covered employment is critical in determining your TPAF status. You should expect to continue enrollment in the TPAF if you start working in a TPAF covered position before your pension has become due and payable. A pension benefit is due and payable 30 days after the date of Board approval, or the retirement date, whichever is later. You must have at least a 30-day break in service after your retirement date to be considered retired from the TPAF. If you return to TPAF covered employment within 30 days of your retirement date, your retirement is not valid, and you are considered an active employee.

TPAF Enrollment Required

If you accept regular full or part-time employment in a position covered by the TPAF, you must reenroll in the pension fund. Your retirement allowance will be suspended for the duration of your employment. The procedure for enrollment in the TPAF after retirement is covered later in this publication.

Membership in the TPAF is required as a condition of employment if:

- You are appointed to a teaching or professional staff position requiring certification and the position is covered by Social Security; and
- Your annual salary is \$500 or more.

Generally, non-certified professional personnel are not eligible for TPAF membership. Neither are seasonal or substitute teachers employed on a temporary basis. All other teachers whose positions require certification are required to participate in the TPAF even if paid on an hourly or per diem basis.

TPAF Enrollment Not Permitted

You cannot reenroll in the TPAF if you are employed:

- As a per diem substitute;
- As a permanent or long-term substitute;
- As a replacement for a regular employee on approved leave of absence (provided the regular employee is not on terminal leave).

Certificated Superintendent or Certificated Administrator

Chapter 355, P.L. 2001 (N.J.S.A. 18A:66 - 53.2) provides an exemption from the reenrollment after retirement provisions to retirees of the TPAF who are certificated superintendents or certificated administrators (this does not apply to those retired on a disability retirement — see page 3). Positions which require certificated administrators include that of superintendent, assistant superintendent, executive superintendent, principal, assistant principal, vice-principal, director, supervisor, and school business administrator. For a complete list of certificated administrator positions, please contact the New Jersey Department of Education.

A certificated superintendent or certificated administrator who becomes employed by the New Jersey Department of Education in a position of critical need as determined by the Commissioner of Education is exempt from the reenrollment provisions.

A certificated superintendent or certificated administrator who becomes employed by a board of education as a certificated superintendent or certificated administrator on a contractual basis for a term of not more than one year, is exempt from the reenrollment provisions. The contract for employment

can be renewed for one additional year; however, the retiree's total period of employment with any individual board of education may not exceed a two-year period.

Chapter 355 also provides that the current pension reenrollment provisions will still apply **if a retiree accepts employment within 120 days of retirement** with the same employer from which the retiree retired.

Interim Positions

Prior to November 3, 2003, provisions existed in the Administrative Code that permitted school boards to appoint retired TPAF members to TPAF-covered positions on an interim basis for up to six months without affecting their retirement benefits. The TPAF Board of Trustees repealed that rule so interim appointments can no longer be made, except in the case of superintendents and certificated administrators, as described above. If the retired TPAF members return to TPAF-covered employment, they must cancel their retirements and re-enroll in the system as active employees.

EFFECT ON RETIREMENT BENEFITS IF REEMPLOYED IN A TPAF ELIGIBLE POSITION

Unless otherwise stated above, you must reenroll in the TPAF as a condition of your employment if you are collecting retirement benefits, other than disability retirement benefits, from the TPAF, and you accept employment in a position covered by the TPAF. Your retirement allowance will be suspended for the duration of your employment, and you become an active contributing member again. (If you are over age 60, you must prove insurability for life insurance coverage.) If you die while in the second membership, no benefits from the previous membership or retirement are payable, other than the return of your contributions not used to pay your retirement allowance. This means that retirement option settlements and death benefits (insurance) from the suspended retirement would not be paid to your beneficiaries.

If you return to employment under the TPAF and are eligible for membership but you fail to enroll, you would be required to reimburse the retirement system in the amount of all retirement benefits you received since the date you should have enrolled. In addition, you would be required to pay pension contributions in the form of back deductions back to your enrollment date. There is no limitation on the amount

of reimbursement that may be recovered by the retirement system in these situations.

The following steps should occur when you are reemployed in a TPAF position and reenrolled:

1. Your employer must submit a TPAF enrollment application on your behalf to the Division of Pensions and Benefits.
2. Your application will be referred to the Board of Trustees of the retirement system to suspend your retirement allowance as of the date you are required to enroll in the TPAF. The date of enrollment is not negotiable. The TPAF Board Secretary will advise you of the action taken by the Board.
3. Once the Board of Trustees suspends your retirement allowance, your enrollment application will be processed and a certification to deduct pension contributions will be sent to your employer. This certification will also include instructions to collect any back deductions, if appropriate.
4. You will be billed for any retirement payments you received after the effective date of your new TPAF enrollment. Because of the sequence of events, most retirees are enrolled in the TPAF on a retroactive basis. You should therefore anticipate that you will be required to refund one or more pension checks to the retirement system.
5. You must file an application for retirement on or before the effective date of your second retirement. Your former retirement allowance and any option selection will be restored along with any appropriate cost-of-living adjustment due based upon your original date of retirement. In addition, you will receive a retirement allowance based upon your new period of service. These two calculations are paid in one retirement check.

You cannot combine your first and second account to qualify for a Veteran Retirement. Service credit from both retirements may be combined to satisfy the 25 years of service requirement for TPAF paid State Health Benefits Program coverage. In order to be eligible for this coverage, you must be eligible for employer-paid SHBP or local employer coverage from your last employment in the TPAF.

Note: Any additional allowance due as a result of the second period of service will be determined under

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the Service Retirement formula; a reduction applies if the retiree is under age 55. By law, the combined retirement allowances cannot be greater than the allowance you would have received if your first retirement had not occurred.

RETURNING TO WORK IN A POSITION COVERED BY A DIFFERENT NEW JERSEY STATE-ADMINISTERED RETIREMENT SYSTEM

In this case, your retirement allowance continues and you can receive salary but you cannot become a member of that retirement system.

DISABILITY RETIREES RESTORED TO ACTIVE SERVICE IN THE TPAF

If you are a disability retiree, before you can return to active service in a TPAF eligible title you must:

1. Make a written request to return to active service to the Division of Pensions and Benefits.
2. Submit a physician's report to the Division certifying that you are no longer disabled and can return to employment. The physician should be one with the same specialty as the physician who originally certified that you were disabled.
3. Be examined by a physician appointed by the TPAF Board of Trustees.
4. Be approved for return to active service by the TPAF Board of Trustees.

When you return to active service and earn an annual salary of \$500 or more, you must enroll again in the pension fund. Deductions for pension are resumed and you are treated as an active employee in all respects. Upon subsequent retirement, you will receive a benefit based on total service.

DISABILITY RETIREES — EARNINGS AFTER RETIREMENT

Your annual retirement allowance may be adjusted if you have earnings from any occupation after retirement. The law states that the pension of such a retiree shall be reduced to an amount which, when added to the amount being earned by the retiree, does not exceed the amount of salary currently attributable to the former position of the retiree.

OTHER CONSIDERATIONS

State Health Benefits

Program Retired Group Coverage

Returning to public employment in New Jersey may

affect your eligibility to continue coverage under the State Health Benefits Program (SHBP). If your retirement allowance is suspended because you return to work in a position covered by the TPAF, your retired group SHBP coverage is also suspended.

Returning to a position not covered by the TPAF will not affect your eligibility for retired group coverage under the SHBP. Maintaining SHBP retired group coverage also does not affect your eligibility for active group health coverage associated with your new employment.

Social Security Benefits

There is an earnings test for people under age 65 receiving Social Security benefits. Check with the Social Security Administration at 1-800-772-1213 for information on earnings limits before accepting employment after retirement.

SELF EMPLOYMENT ISSUES

The Division of Pensions and Benefits is frequently approached by TPAF retirees who seek recognition as independent contractors rather than employees. These retirees want to resume work similar to that performed while they were public employees without affecting their eligibility to receive TPAF retirement benefits. While it is the public agency's responsibility to correctly classify the worker's employer-employee relationship, our experience indicates that workers are frequently incorrectly identified as independent contractors when they are, in fact, employees of the agency.

As a rule, the Division of Pensions and Benefits accepts the tests and standards used by the Internal Revenue Service and the NJ Department of Labor, Division of Employment Security Revenue, to determine the employer-employee relationship. Since penalties levied by the IRS can be severe, both the worker and the employer should give careful consideration before classifying a worker as an independent contractor. In addition to IRS penalties and any penalties imposed by the NJ Department of Labor in the event that an employee has been incorrectly classified as an independent contractor, there are penalties relating to the TPAF. The employer will be assessed delinquent enrollment charges for failing to enroll an employee in the retirement system in a timely fashion. The employee will be required to refund all retirement benefits received after the date enrollment should have occurred. The employee

must also pay any retroactive pension contributions due on the new TPAF account.

The IRS test to assess the employer-employee relationship includes the following factors:

- Degree of control
- Right to discharge
- Right to delegate work
- Right to hire and fire assistants
- Payment by the hour
- Furnishing of training
- Skill
- Duration of relationship
- Control over hours of work
- Independent trade
- Furnishing tools
- Place of work
- Profit and loss
- Intent of the parties
- Principal in business
- Sequence of work
- Reports required
- Same work as others classified as employees
- Integration
- Industry custom

While none of the factors are controlling and response to all must be weighed together, under the common law definition of "employment," one of the most important factors for consideration is whether the employer has the right to instruct and control the employee in respect to the details of the work that is performed by the employee.

For additional clarification on the independent contractor issue, contact the NJ Department of Labor, Division of Employment Security Revenue at (609) 292-2321.

SPECIAL NOTICE FOR RETIREES IF REENROLLED TO A TPAF COVERED POSITION

If you are reenrolled in the TPAF after retirement, you are treated as an active member in all respects. Your retirement allowance is suspended as a result of a return to TPAF covered employment and no retirement or insurance benefits associated with your former retirement will be paid to your beneficiary should you die during your second membership. If you are over the age of 60 when you reenroll, you will be required to prove insurability through physical examination before you will be covered by the group life insurance benefits of active members. Once you retire again, the death benefits associated with your first retirement become effective.

This fact sheet has been produced and distributed by:

**New Jersey Division of Pensions and Benefits • PO Box 295 • Trenton, New Jersey 08625-0295
(609) 292-7524 • TDD for the hearing impaired (609) 292-7718**

URL: <http://www.state.nj.us/treasury/pensions> • E-mail: pensions.nj@treas.state.nj.us

This fact sheet is a summary and not intended to provide total information.
Although every attempt at accuracy is made, it cannot be guaranteed.

CAN I AFFORD TO RETIRE?

Deductions from Pension Check

(see back of page for explanation of deductions)

Income Tax	\$ _____
Loan	+ _____
Health Benefits	+ _____
Total Deductions	\$ _____



Comparing Net Salary With Net Pension

Gross monthly pension \$ _____

Deductions - _____

Net monthly pension _____
X 12 months

Net annual pension \$ _____

Net paycheck \$ _____

(after deductions)

Number of pays per year X _____

Net annual salary \$ _____

Net annual salary \$ _____

Net annual pension - _____

Difference \$ _____

Subtract the net annual pension from the net annual salary to see how much less you will have to live on in retirement. If you have investment income or social security to make up the difference, you should be fine. If not, you may have to find other employment to supplement your pension income. Remember that you will save on work-related expenses (eating out, clothing, transportation) once you retire.

If your net annual pension is more than your net annual salary, congratulations. You will be getting more money in retirement than you were bringing home while working!

Possible Deductions from Pension Check

Income Tax

- Federal – due as soon as you start collecting pension (see federal income tax withholding tables)
- State – If living in NJ, none due until you have collected pension equal to your total contribution to the retirement system (unless not recovered in 3 years).

At age 62 you can exclude \$20,000 if married filing joint return

\$15,000 if single

If living outside NJ, you are not subject to NJ income tax.

Loan

Current biweekly loan deduction X 2.175 = approximate monthly loan deduction from your pension check

Health Benefits

- **State Employees:** If you reached 25 years of service in the retirement system by 7/1/97, the State will pay the monthly premium for your coverage regardless of the State Health Benefits Program health plan you choose, if you were eligible for State Health Benefits Program coverage until your retirement date. For State employees who reach 25 years of service between 7/1/97 and 7/1/2003, or who retire during that period on a disability retirement, the State will pay the monthly premium for your coverage if you choose NJ PLUS coverage or coverage under one of the HMOs. If you choose Traditional Plan coverage, you will pay a portion of the monthly premium (some law enforcement union members are not subject to premium sharing).
- **School Board or County College Employees:** If you have 25 years of service in the retirement system when you retire, or if you retire on a disability retirement, and you were eligible for health insurance coverage through your employer until your date of retirement, you are entitled to State-paid State Health Benefits Program coverage in retirement.
- **Local Employees:** You must have State Health Benefits Program coverage as an employee until your retirement date to be eligible to continue that coverage in retirement. Some employers have agreed to pay for coverage of employees who retire with 25 years of service in the retirement system or retire on a disability retirement. The employer may require that some or all of those years be with the employer at the time of retirement or may require that you be at least age 65 when you retire to qualify for this benefit. Some employers have also agreed to pay for coverage for those who are age 62 or older with at least 15 years of service credit in the retirement system.

If you have State Health Benefits Program (SHBP) coverage until your retirement date, but your employer has not agreed to pay for SHBP coverage for its retirees, or if you do not meet the employer's requirements for paid coverage in retirement, you must pay the monthly premium to continue that coverage into retirement. See the SHBP retiree rate charts for cost.

STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY—DIVISION OF PENSIONS AND BENEFITS
PO BOX 295, TRENTON, NJ 08625-0295

REQUEST FOR A RETIREMENT ESTIMATE

RETIREMENT SYSTEM (Check one): ☐ **PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**
☐ **TEACHERS' PENSION AND ANNUITY FUND (TPAF)**

Name: _____ Membership #: _____

Address: _____ Social Security #: _____

_____ Birth Date: _____

Have you retired from PERS/TPAF
previously and returned to work? ☐ Yes ☐ No

Will your last three years of service also be the years during which you earn the highest salary? ☐ Yes ☐ No

If no, list the three fiscal years (July-June) in which you earned the highest salary: _____

Retirement Type: Check One

- ☐ **SERVICE** At least age 60; no minimum service requirement.
- ☐ **VETERAN** Served in military for the required period during wartime and at least age 60 with 20 or more years of service* OR at least age 55 with 25 or more years of service* OR at least age 55 with 35 or more years of service.*
- ☐ **EARLY** Under age 60; 25 or more years of service;* 1/4% (.0025) reduction in benefits for each month the member is under age 55.
- ☐ **DEFERRED** Under age 60; 10 or more years of service;* pension begins at age 60.
- ☐ **ORDINARY DISABILITY** Totally and permanently disabled; 10 or more years of New Jersey service.*
- ☐ **ACCIDENTAL DISABILITY** Totally and permanently disabled as a result of an accident on the job.
What was the date of the accident that caused the disability? _____

Planned Retirement Date: _____ Date you will terminate employment: _____
*must be the first of a month
and within 2 years of today's date.*

Beneficiary's Name: _____ Beneficiary's Birth Date: _____

Is the beneficiary your spouse? ☐ Yes ☐ No

THIS FORM IS NOT AN APPLICATION FOR RETIREMENT

An application for retirement allowance must be filed with the Division of Pensions and Benefits before your retirement date, preferably three to four months in advance to allow time for processing. An application for retirement allowance will be enclosed with the estimate that we will send you if your planned retirement date is within six months.

*Service means service credited in the retirement system, which may not coincide with service with your employer. For Ordinary Disability, this service must have been performed in New Jersey. (Out-of-state, military, and U.S. government service purchases cannot be used to attain the 10 years.)

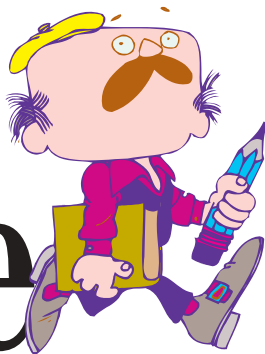
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REASON FOR MANUAL CALCULATION (Attach screen print):

☐ 10-12 Month ☐ Multi. Member ☐ Off Pay More Than Two Years ☐ Other (Explain): _____

Counselor: _____ Date: _____

Goodbye tension,



Hello pension!

